

# **Annual Report and Statement of Accounts 2010/2011**

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## 1.0 Preface

### 1.1 Introduction to the 2010/2011 Statement of Accounts by Councillor Abdul Jabbar, Cabinet Member for Finance and Human Resources



Councillor Abdul Jabbar  
Cabinet Member for Finance and Human Resources

Welcome to Oldham Council's Statement of Accounts for 2010/11.

The Government's Comprehensive Spending Review last October means that the Council faces significant reductions in funding. The Council has already made £40 million in savings for the 2011/12 financial year and will have to make an additional £24 million in savings for next year.

We can only achieve this level of savings by working closely with our residents and with our staff to identify opportunities to change the way we set priorities for spending and the way that we deliver services. This approach is in line with our ambition to become a Co-operative Council, working together with our residents, partners and staff to improve the borough.

By closing our accounts early, and with accuracy in our financial monitoring and reporting, we can continue to focus our efforts on making the savings we need over the coming year. This careful management of our finances enables us to make fully informed decisions about the appropriate use of Council resources and deliver the quality of services that residents have come to expect.

I would like to take this opportunity to thank all of our finance staff who have worked particularly hard over the past few months in order to achieve a balanced budget under very challenging circumstances and also close the accounts so quickly.

**Councillor Abdul Jabbar**  
**Cabinet Member for Finance and Human Resources**

## 1.2 Explanatory Foreword



Steven Mair  
Borough Treasurer

### Message from the Borough Treasurer

In line with the change in requirements for the presentation of Local Authority accounts introduced by the adoption of the International Financial Reporting Standards from the financial year 2010/11, this is the first Statement of Accounts that the Council has prepared to comply with the new accounting regime. The format of the accounts has to be different than in previous years and I have therefore taken the opportunity to expand the information provided in my report accompanying the financial statements to provide an overall explanation of the Council's financial position both during 2010/11 and into 2011/12. This includes major influences affecting the accounts, and is prepared in a style to enable readers to understand and interpret the accounting statements.

I have therefore included in my report information about Oldham Council as well as the accounts for the financial year ended 31 March 2011. By producing this report, I aim to give electors, local residents, Council Members, partners, stakeholders and other interested parties confidence that public money that has been received and spent has been properly accounted for and that the financial standing of the Council is secure.

I have prepared the Explanatory Foreword so that it is structured as follows:

- 1) An Introduction to Oldham Council
- 2) Some Key Facts about Oldham
- 3) Some Key Facts about Oldham Council
- 4) Key Issues that Influenced the Financial Position in 2010/11
- 5) Impact of the General Election May 2010
- 6) Other Key Events Affecting the Council in 2010/11 and Influencing Future Years
- 7) Other Issues Affecting Oldham Council with an Impact in Future Years
- 8) Key Accounting Information for the Financial Year 2010/11
- 9) Receipt of Further Information
- 10) Acknowledgements

## 1 An Introduction to Oldham Council

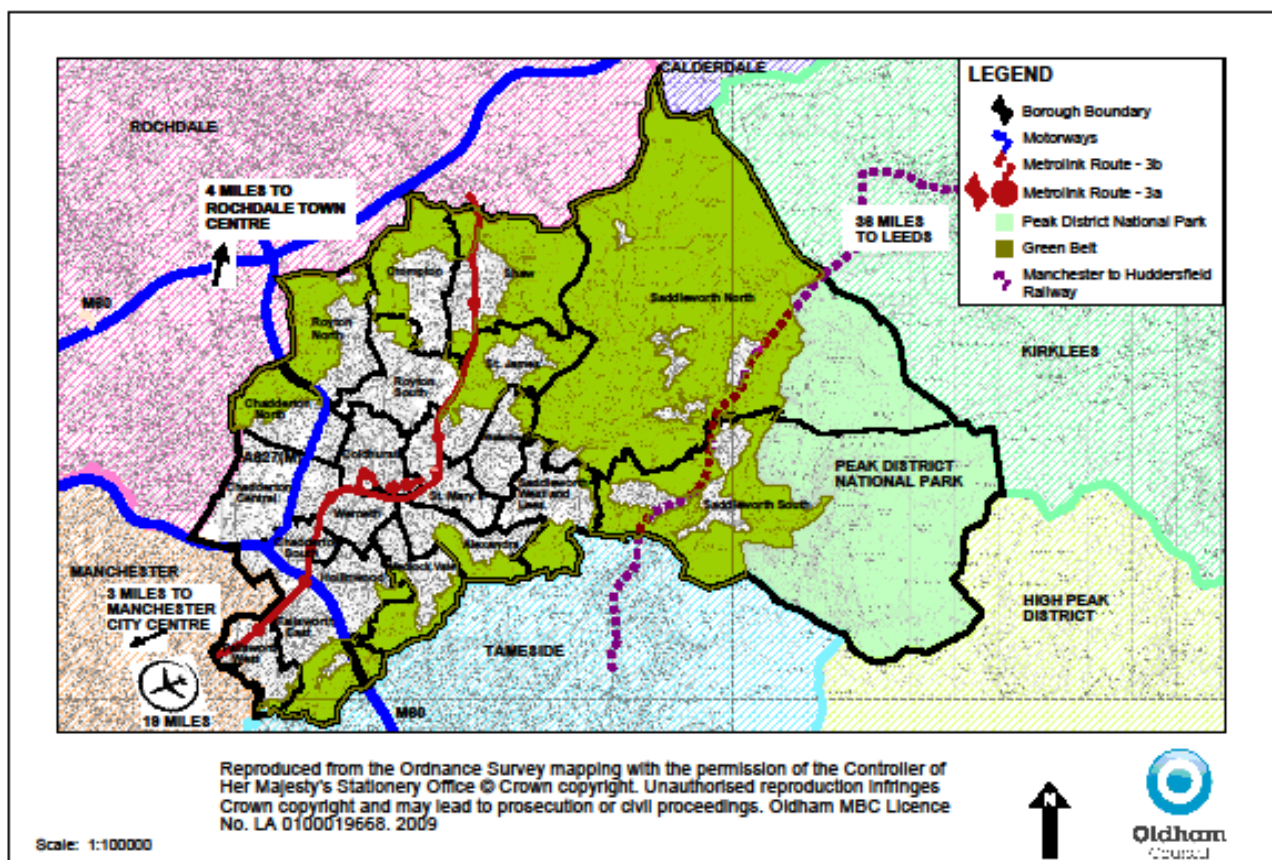
Oldham Council is one of the 10 Local Authorities in the Greater Manchester region. It occupies a key position between Greater Manchester and the Leeds City Region and provides a gateway to the North West Region and to Yorkshire and Humberside. The geographical area of Oldham is 142.365km sq or 54.78 square miles and with almost a quarter of the borough within the Peak District National Park, no residential location in the borough is more than two miles away from open countryside.

Oldham has a proud industrial heritage but, along with many towns and cities, the industries on which the wealth of the area was built have now declined. Regeneration, both in terms of employment opportunities and physical redevelopment, is therefore very important to the future prosperity of the borough. The Council has to provide services such that it meets the needs of its citizens serving both an urban and rural environment and this is influenced by the make up of the population, the economy, education, health and housing issues.

**The Council's vision for the borough is to be a place of choice so that Oldham is recognised as a place of opportunity for all: a place where people choose to live, visit, study and work.**

Oldham is part of the dynamic Sub-Region and works with partners to play a positive role in the future economic success and regeneration of Greater Manchester. The Council took an active role in the shaping of the Greater Manchester Strategy which was agreed in late 2009 and was developed to set out Greater Manchester priorities for development in skills, economic development, regeneration and transport. During 2010/11 Oldham Council and its partners had a key role to play in developing many of the actions in the delivery plans.

## 2 Some Key Facts about Oldham



I have included those key factors that readers of the Statement of Accounts would need to be aware of in order to appreciate the issues that influence the services provided by Oldham Council. I have set these out as follows, using the most up to date statistical information:

- The population of Oldham is 218,766. Of that number 48,504 (22.1%) are aged 0-15, 137,750 (63%) are aged 16-64 and 32,512 (14.9%) are aged 65 plus.
- The unemployment rate is around 7% with the biggest sectors of employment as a proportion of the total workforce being:
  - health 16%
  - retail 14%,
  - education 10%
- Textile manufacturing, the borough's historical base of employment, has declined to just 1%
- White British residents are the largest ethnic group in Oldham (81.5%)
- Pakistani heritage residents are the second largest ethnic group in Oldham (7%)
- Bangladeshi heritage residents are the third largest ethnic group (5.1%)
- Oldham has smaller proportions of Indian (1%), Other Asian (0.5%), Black Caribbean (0.5%), Black African (0.5%), White Irish (0.8%) and Chinese and other ethnic groups (0.6%) heritage residents. Residents from other white backgrounds account for 1.1% of the population and of mixed heritage make up 1.4% of the population
- Within the 0-15 age group, 30% of the Oldham population are from BME groups
- Oldham is ranked as the 42<sup>nd</sup> most deprived Local Authority area overall in the Indices of Deprivation, and has two Super Output Areas (SOAs) that are among the 1% most deprived SOAs in England
- Oldham has high levels of income inequality compared to most other parts of Greater Manchester and surrounding areas. The mean income is £31,680, with 26.30% of the working population with an annual income of less than £15,000
- 6.5% of young people aged 16 to 18 in Oldham are not in education, training or employment (NEET)
- Around 22.5% of school pupils in Oldham are eligible for free school meals
- 78.7% of school children in Oldham achieved five or more GCSE grades A\*-C and 51% of school children in Oldham achieved five or more GCSE grades A\*-C including English and Maths
- Oldham is a borough of sharp contrasts, for example life expectancy ranges from 80.2 years in Saddleworth to 70.1 in Coldhurst – areas that are a distance of just four miles apart
- Oldham has 94,660 households. Of these 5.4% are currently not occupied (5,093) and 44% of households live within 'inner-city' terrace property

### **3 Some Key Facts about Oldham Council**

#### **3.1 The Political Structure of the Council in the 2010/11 Municipal Year**

Oldham has 20 wards and the Council consists of 60 elected Members and following the local election on 6 May 2010 the political make-up of the Council was:

Liberal Democrat Party	27 Councillors
Labour Party	27 Councillors
Conservative Party	5 Councillors *
Green party	1 Councillor

\* 1 Councillor subsequently resigned from the Conservative Group

As a result of the Local Election, the Liberal Democrat and Conservative parties agreed to form a joint administration with the leader of the Conservative Group joining the Cabinet. The joint administration approved a framework agreement covering the period from May 2010 to Annual Council in May 2011. This agreement incorporates priorities including:

- Delivering the 2010/11 Budget and preparing the 2011/12 Budget
- Area Working including District Partnerships
- Public Sector Reform
- Asset Management
- Education

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007. The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegations of Executive Functions.

In accordance with the Local Government Act 2000, the Cabinet is not required to be politically balanced. The Executive Portfolios were agreed at the Annual General Meeting on 26 May 2010 and a Cabinet member took responsibility for each one of these Portfolio areas. The Cabinet for 2010/11 comprised 9 Liberal Democrat and 1 Conservative Party Members, with the Portfolio areas being:

- External Relations and Special Projects
- Adults and Health
- Children and Families
- Regeneration and Housing
- Leisure, Culture, Heritage and Tourism Services
- Customer Services
- Citizens and Neighbourhoods
- Performance and Value for Public Money
- Corporate Services
- Community Safety and Public Protection

Most decisions of the Council were delegated to the Cabinet which met on a fortnightly basis; however, there were also meetings of all Council Members every six weeks that took major policy decisions such as setting the level of the Council Tax and approving the annual budget.

The Council also had an Overview and Scrutiny structure to examine and provide challenge to the operation of the Council. Each of these scrutiny groups is made up of non Executive Members and the structure approved at the Council's Annual General Meeting on 26 May 2010 was that there would be five bodies as follows:

- The Management Board
- Performance and Value for Money Select Committee
- Economic and Prosperity Select Group
- Health and Well-Being Select Group
- Safe and Strong Communities Select Group

The Council had an Audit Committee which met regularly throughout 2010/11 to consider matters such as the 2009/10 statement of accounts, internal control matters in the Council's Directorates and feedback from External Auditors. This Committee provided detailed scrutiny to these accounts at its meetings in June and July 2011. There was also a Standards Committee which met regularly to consider the ethical agenda for the Council including the compliance with the Code of Conduct by Elected Members.

As a result of the Local Election held on 5 May 2011, there was a further change in Council control, with the Labour Party becoming the largest group. The change in administration formally took place at the Council's Annual General Meeting of 25 May 2011.

### **3.2 The Management Structure of the Council**

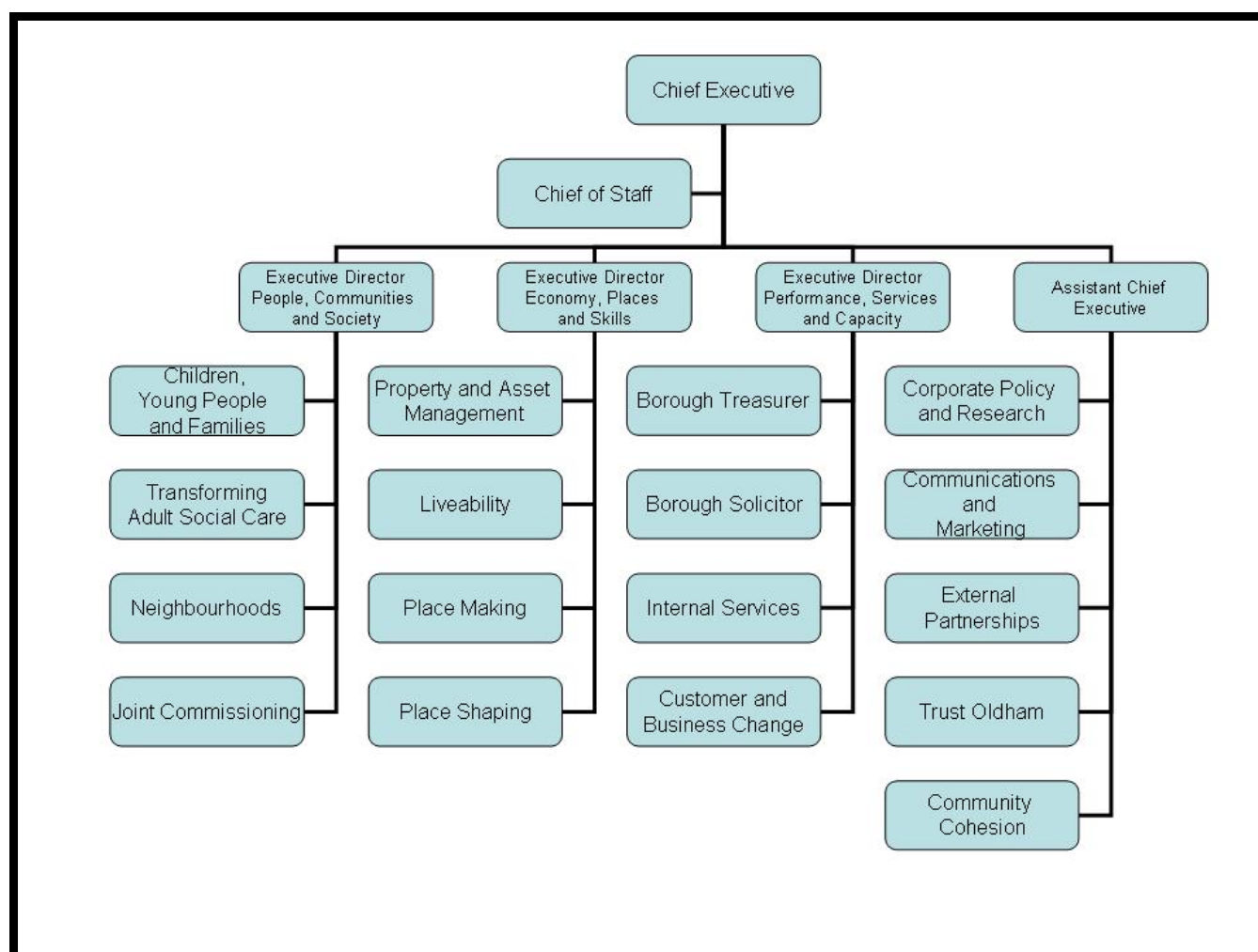
Supporting the work of the Elected Members is the organisational structure of officers headed by the Chief Executive and his Management Team comprised of the Assistant Chief Executive, three

Executive Directors and the Chief of Staff. I attend meetings of the Management Team in my role as the Section 151 Officer together with the Borough Solicitor as the Monitoring Officer, on an as and when required basis. This ensures that the key Statutory Officers are represented at the most senior level of the Council. The Assistant Chief Executive and each of the Executive Directors lead a Directorate team that is split into management divisions, each headed by an Assistant Executive Director. The Directorates are:

- People, Communities and Society
- Economy, Place and Skills
- Performance, Services and Capacity
- Assistant Chief Executive's

Until February 2011, when there was an organisational restructure due to the retirement of the Executive Director (People, Communities and Society), the management of the Council was set out as in the chart below. The financial outturn for 2010/11 has been prepared to reflect the management arrangements that were in place for the majority of the year as in the chart below.

### Organisational Structure of the Council



In order that readers of the Statement of Accounts can have a clear understanding of the range of services that the Council provides, I have prepared the following paragraphs which set out a short summary of the key service areas on a Directorate basis.

#### 3.2.1 People, Communities and Society Directorate

During 2010/11, this Directorate had four management divisions as follows:

- a) **Children, Young People and Families** - ensures the Council meets its statutory requirements as a Children's Services Authority in respect of children and young people. This includes supporting schools in raising educational standards, keeping children safe, looking after children in care and co-ordinating and developing help for children with special needs.
- b) **Transforming Adult Social Care** - provides a range of care services to some 4,000 Older People and Disabled People, usually by means of an Individual Budget to help them choose their own mix of services. It also supports a broader group of 8,000 people who have moderate frailty or disability by means of information, support and preventative services. Similarly information, support and respite services are available to the carers/family members of both these groups.

The main statutory obligation is to carry out Community Care and Carer assessments and these are completed by the Social Work service, including those who are jointly located with the NHS Mental Health Community teams. Nearly three quarters of all care provision is commissioned from the external sector, charities, voluntary organisations and private companies. The remaining quarter is provided by internal services such as Reablement, Employment and Vocation projects, Community Response, Day Services, the Link Centre and Supported Accommodation.

- c) **Neighbourhoods** – co-ordinates local service delivery across each of the six District Partnerships covering the borough. The service works with elected Members, partners and local service providers to connect with local citizens so that they play an active role in shaping, influencing and delivering services that meet local priorities. This division also has responsibility for heritage, libraries and arts services and works with a range of local, regional and national partners to provide a wide range of accessible leisure, learning and information opportunities. Services and activities are delivered in Council facilities and community settings and are tailored to be accessible and relevant to all ages and sections of the community.
- d) **Joint Commissioning** – this division is developing a programme of joint commissioning with colleagues in the National Health Service that seeks to identify those areas where the efficiency, effectiveness and quality of service can be improved by jointly commissioning services and/or integrating and streamlining service delivery. The work programme covers both children's and adults' services and underpins many other service interventions by ensuring people can access and retain a safe, stable and secure home environment.

### 3.2.2 Economy, Place and Skills Directorate

During 2010/11, the Economy, Place and Skills Directorate consisted of the following four divisions:

- a) **Property and Asset Management** - manages a series of strategic and operational property and regeneration functions that align the asset base and physical development with the Council's corporate and financial goals and objectives and Greater Manchester Strategy objectives.
- b) **Liveability (Environment)** - provides the key frontline services of Waste Management, Street Scene, Parks and Countryside, Parking, Street Lighting and Highways Operations.
- c) **Place Making** – develops a clear vision for planning and investment in housing, co-ordinating activity around affordable warmth, eliminating homelessness, investment and renewal of private sector housing areas and overseeing the delivery and monitoring of two Private Finance Initiative schemes. The Public Protection services provide regulatory services for Environmental Health, Trading Standards, Licensing and Registrars as well as

having responsibility for the Council's corporate Civil Resilience and First Response functions.

- d) **Place Shaping (Economic Development and Planning)** - helps shape the natural and built environment of the Borough. This includes developing the statutory land use planning framework, co-ordinating the physical regeneration of the Borough and developing transport strategy and delivery plans. It also processes planning applications, takes enforcement action on planning contraventions and helps protect local heritage and conservation areas and is responsible for supporting growth of local businesses and increasing local skill levels and the employment rate.

### 3.2.3 Performance, Services and Capacity Directorate

During 2010/11, the Performance, Services and Capacity Directorate consisted of the following divisions:

- a) **Borough Treasurer** – My division leads the financial planning processes and provides financial management information and advice to elected Members, governors and managers, ensuring optimum use of available resources and management of revenue and capital budgets. I also have responsibility for treasury and cash flow management, the Internal Audit service, safe custody of assets/risk management, insurance, procurement, and the client management function for debtors, creditors and payroll.
- b) **Borough Solicitor** – provides legal advice and representation for the Council, including Monitoring Officer duties, services to support to the Committees of the Council, Elections and Land Charges services.
- c) **Internal Services** – provides the Business Support Service, Facilities Management, including catering and cleaning (schools and non- schools), Civic Centre Management, Human Resources Services, Workforce and Organisational Development and Corporate Performance Management.
- d) **Customer and Business Change** – provides services including Customer services (including strategy), implementation and delivery, complaints handling, Value for Public Money strategy and implementation, strategic ICT and the client function for the Unity Partnership.

### 3.2.4 Assistant Chief Executive's Directorate

During 2010/11, the Assistant Chief Executive's Directorate consisted of the following divisions:

- a) **Corporate Policy and Research** – provides policy and research information to the Council by analysing the national and regional landscape and developing the Council's approach to policy and strategy across a wide range of areas that impact on all Directorates in the Council.
- b) **Communication and Marketing** – manages the reputation and communications needs of Oldham Council. It is responsible for media relations and also handles the design requirements of the Authority and its partners, manages and maintains the content and design of the Council website and employee intranet, and manages the marketing of Council services and facilities.
- c) **External Partnerships** – manages the work of the Council with external partners, specifically the Local Strategic Partnership and monitors and manages the Council expenditure of Area Based Grant Funding.

- d) **Trust Oldham** – leads the change to the culture of Oldham Council to make it a better place to work by creating one 'joined up' Council, where people are proud to work together for the good of the Council and the community, and where there is real drive and ambition to be the best.
- e) **Community Cohesion** – leads work across Oldham Council and the Oldham Partnership to manage community tensions and build good community relations.

### 3.2.5 The Neighbourhood Agenda

As I mentioned in the narrative about the Neighbourhoods Service, the Council has developed six District Partnerships around which it has structured the approach to area working. These are:

- Chadderton
- West Oldham
- East Oldham
- Failsworth and Hollinwood
- Saddleworth and Lees
- Royton, Shaw and Crompton

Area working is fundamental to the Council's approach to improving services. The Council's approach is that together with its partners, the services that will be delivered will be relevant and responsive to local needs. It also wants its services to add value to both people and place and connect with citizens so that they will be active in their neighbourhoods and get involved in shaping the decisions that affect them.

The Council has an Area Working Framework which sets out a series of standards around work at a local level. Community engagement at a local neighbourhood level takes place through ward based PACTs (Partners and Communities Together).

### 3.3 Oldham Council's Corporate Plan

One of the key strategic documents that frame the actions of the Council is the Corporate Plan. The vision for the Borough was a key strand of the refreshed Corporate Plan 2010/14 which was approved at the Council meeting of 21 July 2010. The Council's Corporate Plan is a working document that exists to help Elected Members, staff and partners work together to deliver the vision for Oldham. It is a four year strategy with clear outcome measures setting out the priorities for the forthcoming year.

Developing the Council's vision and priorities involved consultation with residents, businesses and partners such as the Police and the Primary Care Trust. The corporate objectives for the Council are to provide **one place... many choices** for the community and to create:

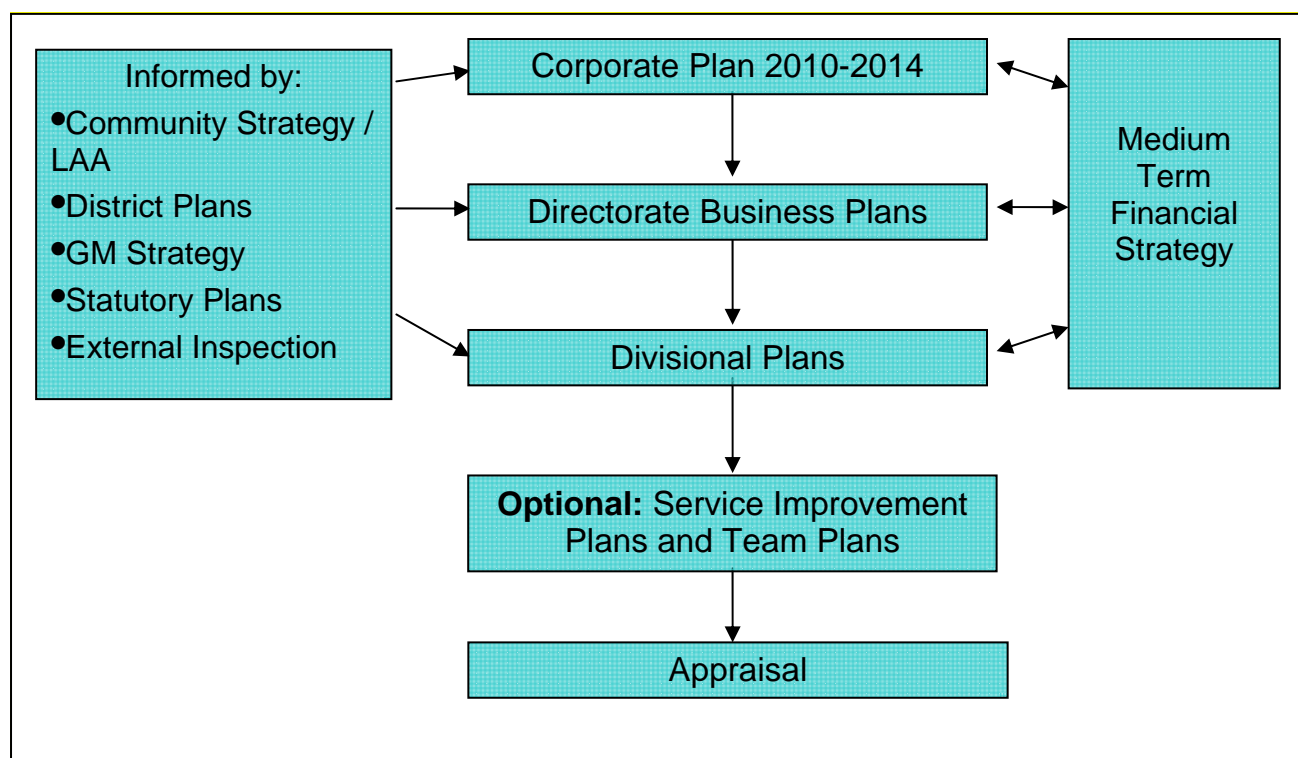
- **A confident place -** with safe neighbourhoods and clear, green spaces for all to enjoy - **(Corporate Objective 1)**
- **A university town -** with good education, learning and training to improve the skills and choices of our citizens - **(Corporate Objective 2)**
- **An address of choice -** a healthy and active place, with suitable housing for all - **(Corporate Objective 3)**
- **Services of choice -** quality services that provide value for our citizens - **(Corporate Objective 4)**

The Corporate Plan underpins all the activities that the Council engages in. Later in 2011, the plan will be refreshed again for 2011/15.

### 3.4 Managing performance

Proactively and effectively managing performance is central to delivering the Council's service improvements, greater value for public money and the objectives of the Corporate Plan. Central to the approach has been the creation of a corporate Performance Team and the introduction of a single performance management system – CorVu. These changes allow a single view of performance in real-time, to identify any areas of particular success or concern, and to take appropriate action early.

The business planning processes have also been strengthened, creating more robust links between the Sustainable Community Strategy and Local Area Agreement (LAA), the Corporate Plan, Medium Term Financial Strategy, Directorate and Divisional business plans. The table below sets out this business planning framework that the Council works to:



As the Council's key planning document, the Corporate Plan is the backbone of the Performance Management Framework and supporting the delivery of the Corporate Plan are the comprehensive business plans for each of the Council's Directorates. These set out the medium term priorities for each Directorate, and identify how each service and team in the Council will contribute to achievement of our key objectives, the Sustainable Community Strategy and the Local Area Agreement for Oldham.

The Directorate plans are supported in turn by Divisional plans. These annual operational plans cover every area of the Council, setting out specific actions and targets in detail.

All staff have a performance appraisal through which each individual's contribution to delivering these priorities is identified and agreed.

Performance information is used by senior managers and Elected Members to ensure that services are being delivered which offer value for money and meet the needs of all the Oldham community. By adopting a systematic approach, that includes regular performance reports at various levels of detail, the Council constantly reviews service delivery and the expected/achieved outcomes for citizens. In this way any areas particular strength can be identified and good practice shared.

Equally areas of concern can be identified so that appropriate action can be taken where necessary to ensure that the best possible outcomes are delivered.

Part of the performance management framework is the consideration by Cabinet of financial monitoring reports outlining financial performance from months 3 to month 10 so that Members are advised of all key issues that may affect the outturn for the year. This allows any necessary remedial action to be taken.

### **3.5 The Trust Oldham programme**

The Council has made a major commitment to the Trust Oldham initiative and it is a major influence on the way in which the organisation works, driving a culture change through all service areas. It therefore set a framework within which service services were delivered in 2010/11.

Through the Trust Oldham Programme, staff across the Council have been engaged in change, and this has helped to define the core values and behaviours needed to achieve the Council's ambitions.

The Trust Oldham programme revolves around four core values with associated behaviours as follows:

#### **We are proud to make Oldham a place of choice**

- We provide services that benefit the citizens of Oldham
- We adapt to the changing needs of the Council and the borough
- We actively promote a positive image of the Council and the borough

#### **We value each other**

- We give support to each other to be the best we can
- We listen to each other and keep each other informed
- We work together by sharing knowledge and expertise

#### **We have integrity**

- We are open and honest in all our activities
- We do what we say we will do when we say we will do it
- We treat each other with respect

#### **We deliver our best at all times**

- We establish and use effective ways of working to achieve key outcomes
- We take responsibility for continually improving the way we do things
- We focus our energy in order to see things through to completion

### **3.6 The Council's Key Achievements**

Building on the objectives set out in its Corporate Plan, the rigours of the Performance Management Framework and the culture change promoted by the Trust Oldham programme, the Council has made significant progress in its improvement journey over the past two years and prioritised the use of its resources to deliver a range of key achievements as set out below. The Council has:

- Saved £32 million (covering the period 2009/10 and 2010/11) whilst continuing to drive up service standards, despite increasing demand for services due to the economic downturn
- Significantly increased the amount of waste recycled – Oldham is now the third highest performer in Greater Manchester – and continues to improve, winning a 2010 Municipal

Journal (MJ) award for environmental innovation in waste collection

- Improved the GCSE results of pupils receiving 5 A\* - C grades with an increase from 46.4% to 51.0%
- Been judged as 'performing well' in social care inspections for both children's and adults' services
- A Fostering Service that has been independently rated 'outstanding' in every area
- Operated the most highly rated Adult Learning service in the country according to a recent inspection
- Continued to prioritise the physical appearance of the borough, ensuring Oldham is a cleaner and greener place to live, work and visit. Oldham now has the cleanest streets in Greater Manchester, and was awarded 'Best Town Centre' in the 2009 Bloom and Grow competition and have won the best City category in 2010
- Introduced innovative initiatives such as Passport to Summer which has encouraged physical activity amongst children and young people, as well as having a positive impact on anti-social behaviour which has seen a reduction of over 40% in the last two years during the targeted summer months
- Secured the development of the Regional Science Centre which will transform opportunities for young people across the borough and Greater Manchester
- Become just the third authority in England to achieve the Silver 'Food for Life' Catering Mark for healthy and climate-friendly meals in primary and special schools
- Reduced the number of homeless acceptances significantly placing Oldham as one of the top performing Authorities in Greater Manchester
- Been successful in ensuring the Metrolink will run through Oldham
- Received "excellent" status for Tylon House, one of the Council's Children's Homes
- Dramatically reduced the time to process benefit claims, down 75% on 3 years ago
- Demonstrated a remarkable increase in the numbers of young people involved with positive activities in Oldham as evidenced by the Tell Us Survey results
- Received the award of Green Flag status for seven parks
- Been upgraded by independent Ofsted inspections as 'excellent' for Oldham Council's Children's Services and as 'outstanding' for Oldham Music Service
- Built 207 new affordable homes – up from 60 in 2008/9
- Narrowly missed out in its bid to be named 'Most Improved Council of the Year' at the Local Government Chronicle (LGC) Awards 2011 in March 2011, receiving a 'highly commended' award.

### **3.7 Strategic Financial Management Developments**

The Council has also focussed on improving its Financial Management in the last year and this has led to a number of improvements in this area.

- The 2009/10 accounts were closed and audited one month earlier than the statutory deadline, with Oldham being the first Metropolitan Borough Council to close its accounts and the seventh fastest nationally
- The External Auditor acknowledged the 2009/10 annual accounts as the best ever with no material errors
- The revenue budget was monitored and controlled, with final expenditure within 0.1% of the budget that was set
- Support was provided for the successful Building Schools for the Future project
- Support was provided for other major projects including Street Lighting and Housing PFIs
- Support was provided for the transfer of housing stock to the new registered provider of social housing (FCHO)
- Through improved credit control discipline, the sums owed to the Council's General Fund by other public sector bodies, companies and individuals was very significantly reduced
- There was a successful transfer of transactional financial services to a partner organisation
- Greater cooperation was promoted with the External Auditor, with greater reliance placed on the work of the finance and audit teams
- Budgets for school were issued by end of February (the earliest ever)
- The Council budget book was issued on 24 February, the day after the budget Council (the earliest ever)
- School and Council budget guidance manuals were written and issued
- Budgets were prepared at detailed level down to and including individual post details for the first time ever
- A review of recharges was begun with the aim of supporting business unit development as part of the Repositioning Oldham agenda
- The budget was managed to an estimated balanced position from half way through the year as opposed to the year end in 2009/10

This improvement will of course continue and develop in 2011/12, hence the accelerated timeline for the production of these accounts for 2010/11.

## **4 Key Issues that Influenced the Financial Position for 2010/11**

Having introduced you to the Council and its operating ethos, I would now like to explain the key financial issues that have framed 2010/11. In my role as Borough Treasurer, it is my responsibility to ensure that Members of the Council receive robust and timely information to enable them to approve the budget for a financial year. I therefore prepared a range of reports for the Council to consider at its meeting of 24 February 2010. These were three budget reports covering the revenue budget, capital programme and the Housing Revenue Account (HRA) budget and also the Capital Strategy, Treasury Management Strategy, Medium Term Financial Plan and a report setting out the recommended level of general balances. The key budgetary issues for 2010/11 are set out below:

### **4.1 Revenue Budget**

When I advised Members of the Council on the preparation of the 2010/11 revenue budget, the capital programme and the HRA budget for 2010/11, it was in the context of the significant reductions and increased constraints predicted for public sector funding and spending over future financial years. The financial year 2010/11 marked the last year of the period covered by the Comprehensive Spending Review 2007 and funding allocations from Central Government for 2010/11 were largely as predicted, however given the national economic position and the General Election due in May 2010, it was evident that over the longer term the position for the Council and Local Government in general was going to change.

The theme of the 2010/11 budget was "Investing in the Future: A Budget Ready for Recovery". The aim of the capital and revenue budgets was to deal with issues so that the borough would be ready for economic and financial recovery and be well prepared to address potential significant budget

reductions in the future. This therefore increased the importance of focusing on priority areas and recognising the need to continue to invest in some key activities.

Members agreed to an increase in Council Tax for the year of 1.31% for Council Services and 1.9% inclusive of the precepts and this determined that the budget for Council Services would be £235.075m. This in turn determined that the budget gap to be addressed for 2010/11 was £10.998m. The key cost pressures making up the budget gap are shown in the table below:

<b>Cost pressures/ increases in funding</b>	<b>£m</b>
Addressing the impact of a Zero Based Budget review that had identified some historic budget shortfalls	6.132
Increases in the levies payable to the GM Waste Disposal Authority and the GM Integrated Transport Authority	1.634
Anticipated Inflation levels	1.842
Service budget pressures	5.882
<b>Total Cost Pressures</b>	<b>15.490</b>
Increase in Council Tax Income	(0.835)
Increase in Government Funding	(4.063)
Reduction in usage of Collection Fund surplus	0.406
<b>Net Cost Pressures</b>	<b>10.998</b>

Having established the savings that were required, my recommended approach to budget setting in 2010/11 was to examine areas of expenditure and income to identify savings/income opportunities that fell into the following categories:

- Efficiency Savings – reviewing service provision by completing value for money assessments on all Council services and using these as the driver to identify efficiency gains
- Additional income – actively seek ways of securing increased external income to reduce the cost of Council services to Council Taxpayers which required difficult decisions about whether to increase or introduce charges for services to those who could afford to pay
- Service Redesign – identifying where services could be reorganised to reduce costs and be delivered more effectively
- Use of Grant Funding – using grants to fund services that would otherwise be financed through mainstream Council resources

The savings that were agreed by Members, are shown in the table below by category of savings and the Directorate areas in which these fell, with £500k of efficiency savings being achieved via cross cutting initiatives. In addition, Members agreed an investment of £138k in the cross cutting Priority Investment Fund bringing the net savings achieved to £10.998m.

	<b>Efficiency Savings £000</b>	<b>Additional Income £000</b>	<b>Service Redesign £000</b>	<b>Grant Savings £000</b>	<b>Total £000</b>
<b>Savings by Directorate</b>					
Assistant Chief Executive	20	-	12	-	32
Economy, Place and Skills	1,239	450	905	105	2,699
People, Communities and Society	2,015	220	2,936	1,882	7,053
Performance, Services and Capacity	472	50	330	-	852
Cross Cutting	500	-	-	-	500
<b>Total Saving</b>	<b>4,246</b>	<b>720</b>	<b>4,183</b>	<b>1,987</b>	<b>11,136</b>
Priority Investment					(138)
<b>Total Net Saving</b>					<b>10,998</b>

The revenue budget for 2010/11 was approved at the Council meeting of 24 February 2010 and was based on a revenue spending forecast for Council Services of £235.075m. This increased to £247.710m when all precepts (including Parish Precepts) were included. The Council Tax policy resulted in a Council Tax at Band D of £1,345.85 for Council Services and £1,542.83 inclusive of Greater Manchester (GM) Police and Fire Authority precepts. In addition, the Parish Precept for Saddleworth was £17.90 and for Shaw and Crompton, £14.54.

The approved budget is presented below on a Directorate basis, together with the supporting sources of funding.

#### 2010/11 Budget Summary for Council Services Approved 24 February 2010

	£m
Assistant Chief Executive's Directorate	3.131
Economy, Place and Skills Directorate	69.263
People, Communities and Society Directorate	129.427
Performance, Services and Capacity Directorate	7.037
Corporate Management	0.644
Budgeted Resources yet to be Allocated	1.744
Corporate and Democratic Core	6.024
Capital, Treasury, and Technical Accounting	17.805
<b>Total Budget for Council Services</b>	<b>235.075</b>
Parish Precepts	0.271
<b>Total Council Budget</b>	<b>235.346</b>
Financed by:	
Total Formula Grant (TFG)	121.597
Areas Based Grant (ABG)	27.534
Reserves	1.011
Council Tax 2010/11	84.478
Collection Fund Surplus	0.455
<b>Total Financing for Council Services</b>	<b>235.075</b>
Parish Precepts	0.271
<b>Total Council Financing</b>	<b>235.346</b>

With 63% of funding being received from Central Government in the form of TFG and ABG, it was therefore evident that any future reductions in these sources of funding would have a significant impact on the future finances of the Council.

#### 4.2 Capital Programme 2010/11 to 2012/13

As well as the revenue budget report, the Council meeting of 24 February 2010 also considered and approved my report setting out the Capital programme for 2010/13. This also had the theme of "Investing in the Future: A Budget Ready for Recovery". In line with the principles of the capital strategy, the report set out the anticipated expenditure for the capital programme over the next three years, the vast majority of which was carried forward as schemes from the 2009/12 capital programme. The table below shows the summary capital programme by Directorate. In total, approved expenditure for the 2010/11 was £64.722m, financed by £63.039m of resources. The over programming in this first year was balanced over the three year timeframe leaving an unallocated resource available of £1.713m that could be used for new capital starts.

## Capital Programme by Directorate

Directorate	2010/11 £000	2011/12 £000	2012/13 £000	Total £000
Carry forward 2009/10	415	-	-	415
Economy, Place and Skills	45,128	58,111	88,290	191,529
People, Communities and Society	16,816	8,564	7,815	33,195
Performance, Services and Capacity	150	150	160	460
Corporate	500	-	-	500
Unallocated Resources	1,713	-	-	1,713
<b>Total Expenditure</b>	<b>64,722</b>	<b>66,825</b>	<b>96,265</b>	<b>227,812</b>
<b>Resources</b>				
Loan	(4,236)	(3,916)	(3,258)	(11,410)
Prudential Borrowing	(3,479)	(7,841)	-	(11,320)
Grant	(43,384)	(46,964)	(84,719)	(175,067)
Major Repairs Allowance	(7,954)	(7,954)	(7,200)	(23,108)
Revenue	(72)	-	-	(72)
Capital Receipts Contributions	(3,914)	(1,494)	(1,427)	(6,835)
<b>Total Resources</b>	<b>(63,039)</b>	<b>(68,169)</b>	<b>(96,604)</b>	<b>(227,812)</b>

My report also identified a range of schemes that could either be funded from this £1.713m unallocated resource or from any new resource that might become available during the course of the programme period (2010/13). Although the number of potential schemes outweighed the available resource, it was recognised that it was important that the Council established a strategic programme of potential new schemes that could be implemented. These potential new schemes were reviewed by the Council's Capital Investment Programme Board using a business case process and two further tranches of capital investment were subsequently approved.

I prepared a report for the 14 April 2010 Cabinet meeting which recommended the allocation of the 2010/11 Housing Market Renewal funding, the Public Sector Housing Capital Programme, a number of ring fenced and time dependent projects and the first phase of the priority investment of the Councils available resources:

- £700k was allocated to support the Oldham Town Hall by financing work to stabilise the building
- £250k was allocated to provide funding for statutory programmes of work to cover asbestos, legionella, Disability Discrimination Act and Health and Safety requirements in Council premises across the Borough

I then prepared a further capital report for consideration at the 21 July 2010 Council where approval was given to a major allocation of resource of £32.8m covering the period 2010/11 to 2013/14. This utilised the remaining available resources with prudential borrowing being approved to support those projects that were not being financed by income generation or other invest to save options. The table below shows the major projects and the planned phasing of expenditure. I have incorporated the cost of the prudential borrowing into the financial planning assumptions of the Council.

## Major Projects Approved within the Investment Fund

Project	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	Total £000
Highways	1,500	3,000	3,000	2,500	10,000
Project Evergreen	2,500	-	-	-	2,500
Metrolink	3,000	1,750	250	-	5,000
Development Acquisition Fund	-	1,000	1,000	-	2,000
Coliseum Theatre	1,450	-	-	-	1,450
Asset Management / Office Accommodation	1,000	2,000	2,000	1,000	6,000
ICT	749	809	442	-	2,000
Other projects	1,591	950	1,020	273	3,834
<b>Total</b>	<b>11,790</b>	<b>9,509</b>	<b>7,712</b>	<b>3,773</b>	<b>32,784</b>

Many of these projects began in 2010/11 and therefore shaped the pattern of capital expenditure during the financial year and also enabled the Council to make progress in the achievement of its corporate objectives.

### 4.3 HRA Budget

Also approved at the 24 February Council meeting was my report on the HRA budget with revised estimates for 2009/10 and the strategic budget projections for 2010/11 to 2012/13.

The major influence on the budget was the future of First Choice Homes Oldham Ltd (FCHO), the Arms Length Management Organisation which managed the Council's housing stock. Pending a successful ballot of tenants, it was planned that FCHO would become a Registered Provider of Social Housing during 2010/11 and therefore two budgets were prepared (see table below), one assuming a stock transfer from 1 April 2010 and the other assuming no transfer. Clearly there was a significant difference between the two budgets, as, assuming this transfer took place; there would be a much reduced HRA with only two housing PFI projects continuing HRA spending.

	Assuming Transfer £000	Assuming No Transfer £000
Income	(25,159)	(77,354)
Expenditure	24,280	67,944
Other Charges /Income	1,311	13,091
Surplus/Deficit on HRA Services	432	3,681
Net Additional Amount Required by Statute	-	(3,862)
Increase/Decrease in HRA Balance	-	(181)
HRA Balance Brought Forward	(1,529)	(1,529)
HRA Balance Carried Forward	(1,097)	(1,710)

The ballot of tenants was carried out on 1 April and was a positive vote in favour of transfer. The actual date of transfer was 7 February 2011, so at that date, there was a significant impact on both the HRA budget but also the Council's balance sheet which I explain later in the Foreword at Section 6.1.

### 4.4 Treasury Management Strategy

I prepared the Treasury Management Strategy for 2010/11 which was considered and approved at the 24 February Council. In writing the strategy I ensured that it complied with the Local Government Act 2003 and supporting regulations which require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators that ensure that the Council's capital investment

plans are affordable, prudent and sustainable. My report also set out the treasury strategy for borrowing and its annual investment strategy. One of the key issues influencing the Strategy was the potential stock transfer as it would involve complex financial transactions that would have a significant impact on the Councils outstanding debt.

Key issues in relation to the 2010/11 Strategy were the:

- **Authorised Limit**  
This represents the legislative limit on the Council's external debt under the Local Government Act 2003. The authorised limit for 2010/11 was initially set at £484.653m but increased to £609.653m arising from a change in accounting arrangements.
- **Operational Boundary**  
This reflects the maximum anticipated level of external debt consistent with budgets and forecast cash flows. The operational boundary for 2010/11 was initially set at £474.653m but increased to £599.653m also as a result of the change in accounting arrangements.
- **Borrowing Strategy**  
This was influenced by a number of issues including the possible stock transfer which was expected to reduce the Councils Public Works Loan debt by an amount equivalent to the Housing Revenue Account debt, interest rate forecasts and minimising revenue costs to minimise the impact on Council Tax.

Based on the estimates at the time the Strategy was prepared, I considered that the Council would not need to take out any new borrowing in forthcoming years, but that this might change if the stock transfer went forward or estimates changed.

- **Investment Strategy**  
This was prepared having regard to the relevant guidance, with the Council's investment priorities being the security of capital and the liquidity of its investments but also so that the optimum return could be achieved on its investments commensurate with proper levels of security and liquidity.

#### **4.5 Medium Term Financial Strategy for 2010/11 Including the Projected Level of Balances**

When I prepared the Medium Term Financial Strategy (MTFS) for 2010/11 to 2012/13 a key aim was to align this to the objectives set out in the Corporate Plan. The MTFS was also approved at the Council meeting on 24 February 2010. The process of developing the MTFS was fully inclusive and involved significant input from Council Directorate Teams and the Administration. However, given the significant changes that were likely arising from the outcome of the General Election, it was intended to revisit the MTFS fully when clearer information on the future levels of Government funding and policy direction became available. This information only emerged for the 2011/12 budget round; in effect the MTFS for 2010/11 provided an interim position.

One issue that was important both in relation to the MTFS and also the 2010/11 budget was the assumption about the level of balances that the Council would require to address any unexpected spending pressures. These balances need to reflect spending experience and risks to which the Council might be exposed. I prepared a report for consideration at the 24 February Council meeting, recommending that balances for 2010/11 should be £12.302m, rising to £13.579m in 2011/12 and falling back to £12.570m in 2012/13. The Council approved this recommended approach, however, the subsequent budget for 2011/12 and the 2010/11 outturn impacted on these assumptions as I explain later.

## 5 Impact of the General Election May 2010

In considering the budget for 2010/11 and going forward into future years, one of the overarching issues that I had to consider was the impact of the General Election. All political parties had made it clear that there would be reductions applied to public sector spending as a result of the prevailing economic climate and the requirement to reduce the level of national debt. Of key importance was the timing and the phasing of the reduction. In line therefore with pre-election announcements, once the new Government assumed power, it implemented a series of in-year budget reductions to Government funding (both capital and revenue) and announced the winding up of some programmes of activity with effect from 2011/12, including the Housing Market Renewal Initiative.

In the following section, I specifically set out the impact of Government spending reductions in 2010/11 and its impact for the longer term on major Council spending programmes.

### 5.1 Impact of Government In-Year Spending Reductions

#### 5.1.1 Overall Reduction in Funding

I set out in the table below the funding reductions of both a revenue (£5.363m) and capital (£5.635m) nature that were announced in May and June 2010 and show the impact that this had on the level of resources available to the Council.

Central Government Grant Funding Reductions	Revenue £m	Capital £m
Area Based Grant (ABG)	2.712	-
Local Area Agreement (LAA) Reward Grant – second tranche of grant payment, claimed in December 2009	0.852	0.852
LAA Reward Grant – deliverables claimed June 2010	0.511	0.219
Harnessing Technology Grant	0.500	-
16-19 Transfer Grant	0.056	-
Free Swimming	0.150	-
Contact Point	0.160	-
Integrated Transport Block	-	0.662
Extended Schools Grant	-	0.130
Housing and Planning Delivery Grant	0.190	-
Local Authority Business Growth Incentive (LABGI) Grant	0.232	-
Housing Market Renewal	-	2.258
Sure Start and Early Years and Childcare Capital Grant	-	1.482
Playbuilder	-	0.032
<b>Total Reduction</b>	<b>5.363</b>	<b>5.635</b>

Some of the reduced revenue grants were specific grants and were therefore ring fenced to specific services and specified uses and whilst reducing the level of resources available to the Council, the reduction did not affect the approved budget for Council Services as the budget was adjusted equally for both income and expenditure. The Area Based Grant however was a General Grant and as this grant was used to support the budget for Council Services (see table in Section 4.1) it reduced the approved budget by £2.712m to a figure of £232.363m. The outturn and variances that I report later in the Foreword align to this reduced budget figure.

The Government also announced that it would withdraw ring fencing from many grants thus reflecting the Government's wish to increase local freedom and flexibility in the use of resources. The Building Schools for the Future programme was radically reduced in scope with a reduction on the overall scheme planned in Oldham. This also had an impact on capital spending for 2010/11 and future years as I explain later at Section 5.1.3.

The in year and unplanned savings requirements were managed successfully and involved some reconfiguration of services. In addition, the economic situation also created increased demand for many local services including social care, housing, school places, debt advice, and an increase in the number of applications for council tax and housing benefit support. Demographic issues such as people living longer also placed greater demand on services, particularly adult social care. At the same time some income generating services saw a downturn in demand, for example, building control and planning. The Council has managed the financial implications arising from these trends but the impact for services has however continued into 2011/12 and is likely to continue until the economy begins to grow to the level achieved before the recession.

### **5.1.2 Housing Market Renewal (HMR)**

In 2002, nine HMR Pathfinder areas in the North and the Midlands were identified by Government as needing specific support to renew failing or weak housing markets and reconnect them to regional markets. HMR was, in the main, a capital grant to Pathfinders, a partnership between Local Authorities and other key local and regional stakeholders. Although the grant was specifically targeted to housing market renewal, it was also part of a much wider concerted effort to revitalise communities and economies.

The Oldham Rochdale Pathfinder was a partnership between Oldham and Rochdale Councils, who entered into a Market Restructuring Implementation Agreement with Government in March 2004 until March 2019. As the nominated Grant Funded Authority for the Oldham Rochdale Pathfinder, Oldham Council was responsible for receiving and distributing grant against eligible expenditure. In total, from 2004/05 to 2010/11 £187.704m of capital and £18.751m of revenue funding was allocated to the Pathfinder with £117.23m being spent in Oldham, £8.037m in 2010/11.

The overarching aim of HMR was to replace houses, mainly terraced, that were no longer fit for purpose with new, high quality homes and to this end, Oldham Council has:

- Acquired over 900 residential and commercial properties;
- Demolished over 900 residential and commercial buildings;
- Attracted millions of pounds of private and other public sector investment into the Borough;
- Supported the development of over 300 new homes.

The Pathfinder has met or exceeded annual targets, year on year, with the exception of new build homes targets. This has been due to the recession and the reduced level of finance available from financial institutions and the resultant impact this has had on the housing market including increased lending constraints required of individuals and private companies by mortgage and commercial loan providers. The impact of the economic downturn has been compounded in areas like Oldham due to the low wage economy and relatively low land values. However, due to the unforeseen curtailment of the programme, earlier than originally envisaged, the Council has been presented with a number of challenges in order to ensure the long term viability of immediate neighbourhoods in which HMR activity was focused.

During the latter part of 2010/11, the Council concentrated on winding down the HMR programme in order to minimise the impact of legacy issues. Support for residual HMR issues is a priority area within the 2011/12 Capital Strategy with effort being directed to focusing the remaining resources effectively by securing properties due for demolition, landscaping cleared brownfield sites and encouraging private and social housing development on sites previously benefitting from this transformational programme.

### **5.1.3 Building Schools for the Future (BSF)**

The Council had ambitious plans to transform secondary education in Oldham in alignment with the Building Schools for the Future and Academies programme consisting of three phases with two separate procurement programmes running in tandem, both administered nationally by Partnerships for Schools (PfS). On 5 July 2010 the Government announced a nationwide reduction

in the scope of the BSF programme: for Oldham this meant that only the first phase consisting of the new Roman Catholic School and the substantial replacement of North Chadderton, including a new Autistic Spectrum Disorder (ASD) Unit, would proceed. Phases 2 and 3 of the programme were cancelled.

Following the announcement the Council continued to work on the revised programme with the preferred bidder, Balfour Beatty. Negotiations included a value for money review instigated by PfS which saw a reduction of £0.6m in cost and funding just prior to financial close. Financial and contractual close took place on 15 December 2010 with construction of the two schools commencing shortly thereafter.

The Roman Catholic School is a PFI procurement, with the capital cost of the school being £30.2m. In addition the Authority has entered into a 25 year contract for the provision of facilities management services. The school is currently on schedule and planned to open in September 2012. North Chadderton is a traditional design and build contract with a value of £23.8m and is currently on schedule to open in April 2013.

Final Business Cases for the OASIS and Waterhead Academies were approved by PfS in September 2010 and January 2011 respectively. In November 2010, a value for money exercise was undertaken by PfS on the two pending Academies and total construction savings of £2.1m were agreed. Willmott Dixon, the appointed contractor, has commenced construction with the OASIS academy (£25.5m) scheduled to open in September 2012 and Waterhead (£26.3m) in November 2012.

Partnerships for Schools confirmed approval of the Final Business Case for Oldham Academy North on 7 July 2011, the funding support for the project totals £18.5m, including £1.7m for ICT. Construction is programmed to commence immediately and due for completion in April 2013.

As part of the BSF procurement Northgate Information Solutions has been appointed ICT provider to the Oldham BSF programme and the scope of service has been extended to include the Waterhead and Oldham North Academies. Initial capital expenditure, net of an agreed value for money saving of £1.5m, is £8.2m across the four schools. In addition Northgate will provide an ongoing managed service for on an initial 5 year term, with an option to extend for a further five years.

In total, in 2010/11 £14.103m has been spent on the BSF programme and is reflected in the capital outturn figures.

#### **5.1.4 New Deal for Communities (NDC) Programme**

The Hathershaw & Fitton Hill New Deal for Communities programme benefitted from £53.083m Government grant between 2001 and 2011. This programme was aimed at tackling issues of multiple deprivation and stimulating physical regeneration and improvements in community infrastructure and the grant funding also enabled £8.089m funding to be levered in from other sources over the 10 year period. The programme was planned to close in 2010/11.

The revenue funding has enabled a wide range of interventions to take place to tackle issues of multiple deprivation including family learning, crime and community safety, health improvement, jobs, training and business development. The capital grant has helped to transform the area with new business developments, revitalised shopping areas, comprehensive improvement of housing stock and environmental works on the Fitton Hill estate and alley gating, target hardening and new street lighting

The last 12 months has seen the construction of the long awaited Fitton Hill Neighbourhood Centre project get underway (with £0.822m being spent in 2010/11) and state of the art football/rugby pitch facilities nearing completion at Hathershaw College and Broadfield & St. Martin's Primary Schools (with £0.706m being spent in 2010/11).

Looking forward, The Honeywell Forum, made up of residents, Councillors and officers from partner organisations, is tasked with ensuring that assets and any revenue generated from NDC assets is utilised to the benefit of the NDC area. The Council has however to consider legacy issues in the context of its capital and revenue programmes and is mindful that resources may be required to address emerging issues. An amount of £120k has been set aside in the agreed 2011/12 budget to finance any residual issues on the Honeywell Forum.

#### **5.1.5 Local Area Agreement (LAA) and Area Based Grant (ABG) Funding**

Local Area Agreements (LAA) were three year agreements between the Government and the Local Strategic Partnership (Oldham Partnership). They covered a range of performance indicators and performance targets. The overall performance by the Oldham Partnership in improving the borough was assessed and reported by the Audit Commission on its Oneplace website. Detailed quarterly (every three months) performance within Oldham was publicly available on the Oldham Partnership website [www.oldhampartnership.org.uk](http://www.oldhampartnership.org.uk)

The Oldham Partnership contains over 100 organisations and agencies working together to improve the quality of life in Oldham. During 2010/11 it allocated and commissioned services to support the delivery of the LAA using the Area Based Grant (ABG). The initial allocation of ABG, a general unringfenced grant, totalled £27.534m in 2010/11. This was a considerable increase over the £19.502m allocated in 2009/10, largely as a result of the inclusion of the grant previously allocated to the Government's Supporting People initiative. However, as a result of the funding reductions in 2010/11, the grant was reduced by a net sum of £2.712m. The Partnership was required to undertake a radical review of planned expenditure in order to manage within the new level of funding, but this was a challenge given that the ABG funding was allocated to a range of organisations including small voluntary sector groups. The realignment of the funding was successfully completed and at the same time, the Partnership considered how it might address a reduction in the level of ABG from 2011/12 onwards. As a result of the 2011/12 Local Government Finance Settlement ABG was discontinued as a specific source of funding. Accordingly the ABG funded programme of activity has either ceased or is now funded differently from 2011/12.

The financial year 2010/11 marked the third year of the 2008/2011 LAA and built upon the successes of raising employment opportunities through further and higher education, and in reducing teenage pregnancies, both given a Green Flag by the Audit Commission in the 2008/09 Comprehensive Area Assessment. The successful work of the partnership was also recognised by the 2009 European Public Service Award.

This LAA built upon the success of the previous 3 year LAA for which the Government allocated Local Public Service Agreement (LPSA) reward grant at the end of 2009/10 to mark the achievement of meeting stretch targets. The Council was notified in March 2010 that it would receive £1,704,184 of revenue and £1,704,184 of capital grant and provision for receipt of this money was included in the 2009/10 accounts. As noted above, the Government's in year grant reductions reduced this payment by 50% costing the Council £1,704,184 of already accounted for and anticipated grant (50:50 revenue/capital). This was noted as a post balance sheet event in the 2009/10 accounts.

A further allocation of LPSA reward grant anticipated in 2010/11 was also curtailed by the Government by its June 2010 announcements, with a notification that an anticipated £1,459,184 of grant would also be halved. This grant funding has been included in the 2010/11 accounts at £510,706 of revenue grant received and £218,874 of capital grant received. Whilst the position has been managed, such reductions in funding have required the Council to reconsider its priorities.

It should be noted that the Government has abolished the Local Area Agreement with effect from 1 April 2011. However, in order to continue the benefits of partnership working, on 10 February 2011, the Oldham Partnership agreed a new structure to take forward public consultation and engagement, strategy setting, operational delivery, and neighbourhood working.

### **5.1.6 Greater Manchester Local Transport Plan 2**

The mainstream source of funding for investment in the highway network is the Local Transport Capital Settlement and 2010/11 saw the delivery of the final annual capital programme under the second Greater Manchester Local Transport Plan. The Government's in-year spending reductions to Local Transport Plan funding nationally saw Oldham's share of the Greater Manchester Local Transport Plan allocation for 2010/11 (which is managed on an Association of Greater Manchester (AGMA) wide basis) fall considerably from £3,953,000 to £3,291,000. Of this sum £0.340m was a direct reduction to the Government's Oldham Council funding allocation but there was also a further £0.322m reduction imposed by AGMA as a result of its in year budget amendment.

This funding reduction required a review of the Councils planned transport capital programme in order to reprioritise resources. This therefore delayed the implementation of a range of schemes including, integrated minor highway works; local safety schemes; highway capital maintenance; street lighting; and bridges and structures. This management of the programme within revised allocations has resulted in the slippage of some schemes in to 2011/12.

### **5.1.7 Sure Start and Early Years and Childcare Capital Grant**

Another key area of spending affected by the reductions of previously notified funding was the Sure Start and Early Years and Childcare Capital Grant programme with £1.482m less funding available to be spent. Whilst this programme was concluding in 2010/11, the funding reduction nonetheless required the reprioritisation of spending plans in order to manage the programme within the level of resources available.

## **6 Other Key Events Affecting the Council in 2010/11 and Influencing Future Years**

In addition to the impact of Government actions, there were several significant local issues that have a bearing on the financial position for 2010/11 and future years. In the following section, I set out those issues which I consider to be of most relevance in the context of the 2010/11 accounts.

### **6.1 Transfer of Housing Stock**

On 1 April 2010, tenants of First Choice Homes Oldham Limited (FCHO) the Arms Length Management Organisation (ALMO) set up by the Council, voted in favour of transferring all non PFI housing properties to a new registered provider of social housing based on FCHO. This transfer took place on 7 February 2011 and incorporated 11,868 dwellings, 990 garages and sheds, 68 shops and various plots of land within housing estates with development potential.

This transfer has had a material impact on the Council's accounts for 2010/11. This is described more fully in Note 33 to the accounts but the key features were:

- The transfer price for the dwellings and associated assets was £231.292m including the contract for improvement works of £229.792m which will be undertaken by FCHO. This resulted in an actual receipt received by the Council of £1.5m. This capital receipt was used to off set the cost of the stock transfer transactions incurred by the Council.
- The transfer resulted in the repayment by Central Government of £188.5m of Public Works Loan Board debt, which has clearly affected the Balance Sheet of the Council as there are no outstanding PWLB loans at the end of 2010/11. This was however in line with expectations and the Councils Treasury Management Strategy for both 2010/11 and 2011/12. This matter is dealt with more fully at Note 16 to the accounts.
- The Council has entered into an agreement with FCHO relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants and the Council will receive capital receipts at the end of each financial year for any properties sold within the year. This matter is noted as a contingent asset in the accounts

- The Council negotiated a claw back arrangement with FCHO for any future sales of land that had previously transferred
- In line with other transfers that have taken place and with the agreement of Her Majesty's Revenues and Customs Service (HMRC), the Council and FCHO have agreed a Value Added Tax (VAT) shelter arrangement whereby FCHO can reclaim VAT on future improvement works to the transferred housing stock. The estimated value of VAT Shelter savings for the Council is £12.529m (£1.392m per annum years 7-15). The savings that are received by the Council will be treated as a capital receipt and will boost the resources available to the Council to support its capital spending plans from 2016/17. This matter is noted as a contingent asset in the accounts
- In accordance with the agreed CIPFA formula, all current and former tenant rent arrears (except for those tenants remaining with the Council) as at the date of transfer were sold to FCHO
- The Council has agreed to a number of warranties under the Transfer Agreement, the key warranties for the Council are the asbestos indemnity, contracts let by the ALMO for six years from the date of transfer and environmental pollution (these are included in the Contingent Liabilities note).

## **6.2 Pay and Reward Initiative**

Over the past few years, the Council has been undertaking a review of pay and grading for staff following a nationally agreed scheme that was developed and agreed with the three signatory Trades Unions (the GMB, Unison and Unite). The aim of the review was to give fair reward for the skills, qualifications and demands required for each job and ensure that work of equal value is paid equally. This has been a long and intense exercise and has recently reached a conclusion with a revised pay and reward package, arrived at after negotiation of a collective agreement with the Trades Unions, being presented to Council on 2 February 2011.

There are clearly financial implications associated with such an initiative and for a number of financial years the Council has been budgeting to address the planned costs associated with a revised pay line that allows pay protection for a period of time for those losing under the Job Evaluation assessment of grading and in overall terms, increases the salaries and wages costs of the Council as a result of the pay review. Earmarked reserves were set aside and agreed to protect the Council financially, the balance at 31 March 2010 being £5.3m, with the base budget increased to address the pressure of Job Evaluation. Following implementation on 1 January 2011, the reserve was transferred to provisions.

## **6.3 Strategic Service Delivery Partnership (SSDP) – the Unity Partnership**

In 2005 the Council recognised that in order to achieve excellent service performance it needed specialist input and expertise particularly around service and process improvement. It was also looking for a way to develop widespread regeneration, transform Council services and create jobs and training opportunities in a cohesive manner. This led to the decision to enter into a strategic service delivery partnership (SSDP) with a private sector partner.

Following intensive negotiation, the Unity Partnership, a joint venture, was created between the Council, Mouchel Plc and HBS to bring capacity and technical support. The Council has a 33% stake in the Company which "went live" in May 2007. In the summer of 2007, Mouchel acquired HBS so the Council has Mouchel as a single partner. Therefore from May 2007 the following key services; the Council contact centre, ICT, revenues and benefits services, highways management and engineering, plus professional property services were transferred to the Partnership.

In line with the contractual arrangements that were in place with the Partnership, 2010/11 saw the Partnership receive additional services. The transfer of Transactional services, Human Resources/Payroll, Accounts Payable and Receivable and also some additional highways management services went ahead as planned with effect from 7 February 2011, with good communication and no disruption to existing services.

This was a credit to both the 83 staff that transferred to the Partnership and Unity staff who worked hard to ensure a smooth reception of these services and its personnel.

During 2010/11, the Partnership also worked with its sister company in Rochdale to deliver shared service efficiencies with Oldham's Customer Contact Centre. Bringing these two units together into one building has allowed substantial saving, with better management resulting in a more comprehensive service coverage plus effective service to both Council's communities.

Whilst some jobs transferred to Rochdale in order to obtain effective use of resources in the Contact Centre, this has been offset by the transfer of senior manager ICT jobs from the Rochdale Impact Partner to the Oldham Unity Partnership.

Mouchel has also recognised the importance of the Partnership by locating its support office functions which is around 60 staff in key roles into Oldham, which will bring new job opportunities for the borough.

It is intended to review additional opportunities in 2011/12 and beyond. It is also intended to actively seek work via Traded Service arrangements with other Councils, that is, to offer to provide services that the Unity Partnership completes for Oldham to the AGMA group, so that growth will reduce cost due to synergy.

#### **6.4 Transformation of Oldham Town Centre**

Oldham Council is actively pursuing the radical transformation of Oldham Town Centre, raising its status in the City Region. Recent years have seen the completion of high profile cultural, health and education developments: e.g. Gallery Oldham and the Library and Lifelong Learning Centre, the Integrated Care Centre and the extension to the University Campus Oldham. Now the arrival of Metrolink 3b marks a unique opportunity to stimulate the regeneration of Oldham Town Centre and to build further upon the strong higher and further education offer and successful shopping core. The Council is making a contribution to Metrolink via its capital programme with a total of £6.2m invested over the period 2010/11 to 2013/14 with extra resources available from its Development Acquisition Fund. It is also contributing to the overall costs of the Metrolink project being commissioned by the Transport for Greater Manchester Committee of the Greater Manchester Combined Authority.

The Council is committed to continuing this transformational work with its partners to make Oldham a high quality place to live, work and bring up families. Evidence of the Council's continuing commitment is clear to see in the Town Centre with works commenced during 2010/11. This included: opening of the street market on Albion Street and Curzon Street; an initiative to make Oldham Town Hall an attractive development proposition with completion of stabilisation works in December 2010 (with £700k being included in the approved 2010/11 capital programme); development of the Regional Science Centre (also included within capital expenditure in 2010/11 at £6.073m). There was also the start of works on the Coliseum Theatre refurbishment, on public realm improvements at St Mary's Churchyard and George St Gardens, and continuation of works on the Mahdlo Youth Zone development, all of which feature within in the capital spending plans of the Council.

Looking forward, 2011/12 will see this transformational work continue with capital resources allocated for this purpose. The Regional Science Centre opened in June 2011, works continue on Metrolink: the link from Mumps to Manchester Victoria station will open in spring 2012. Major projects proposed for commencement include the introduction of new use to the Oldham Town Hall, further refurbishment works for the Coliseum Theatre, improvements to the Tommyfield outdoor market and car park area, and the introduction of Next Generation Broadband access. All these projects and more across Oldham Town Centre will be co-ordinated through the Town Centre Investment Strategy which will be finalised and approved in summer 2011 with a major launch event to fully engage investors, developers, operators and the public.

## 6.5 Investment in Highways

Recognising that improvement in the borough's highways network is one of the Council's priorities, a major capital project that was approved in 2010/11 was the investment of £10m phased over four years between 2010/11 to 2013/14. This investment is to enable the highways network to be brought up to the Greater Manchester standard of repair and to reduce the maintenance backlog by 25%. Due to delays in commissioning the work the main programme will be initiated in 2011/12. In addition, the Department for Transport (DfT) allocated to Oldham Council extra revenue funds of £601,000 for highways maintenance to assist with repairing the surface damage caused to Oldham's highways by the severe winter of 2010/11. The funds were received on 29 March 2011 and are being spent in 2011/12. These resources are thus included in Receipts in Advance, within Creditors, in Note 22 to the Financial Statements.

In August 2009 the DfT approved a capital bid of £45m for the reconstruction of highway retaining walls in the Greater Manchester Pennine boroughs of Oldham, Rochdale, Stockport and Tameside. This major programme lasts from 2009/10 to 2011/12. Oldham's share of the allocation was £22.2m, of which £1.5m was spent in 2009/10, £8.6m in 2010/11 and the £12.1m remaining is being spent in 2011/12.

## 6.6 Capitalisation of Pension and Redundancy Costs

In July 2010, the Department for Communities and Local Government (DCLG) notified Councils that there was the opportunity to submit requests for a capitalisation direction to allow the costs of redundancy and pension contributions to be treated as capital expenditure. As the Council was expecting to have to incur considerable costs in downsizing the organisation in order to achieve a balanced budget for 2011/12, I prepared and submitted on behalf of the Council, an application for a capitalisation direction in accordance with the deadline of 29 October 2010. On 17 December notification was received that the capitalisation direction had been approved in the total sum of £4.814m, although this was considerably less than had been requested.

The actual redundancy and pension costs incurred in 2010/11 compared to the capitalisation direction received are shown below:

	<b>Pension Costs £m</b>	<b>Redundancy Costs £m</b>	<b>Total £m</b>
Capitalisation Direction Approval	2.491	2.323	4.814
Capitalisation Direction Approval able to be utilised	<b>1.458</b>	<b>2.323</b>	<b>3.781</b>
Redundancy/Pension Costs Incurred	<b>1.458</b>	<b>6.933</b>	<b>8.391</b>
<b>Difference</b>	<b>-</b>	<b>(4.610)</b>	<b>(4.610)</b>

As can be seen, the Council was not able to utilise its full capitalisation opportunity in relation to pension costs due to the age profile of those leaving the organisation. However, the redundancy costs exceeded the capitalisation allowance by £4.61m. This has therefore been financed by a reduction in the balances of the Council, which was in line with the assumptions included in the 2011/12 budget report, which included a sum of £4.63m to build balances back up towards recommended levels (see para 6.7.1 later on).

The amount of capitalised restructuring costs is included within the net cost of services.

The DCLG announced an accelerated timeline for the submission of redundancy and pension capitalisation direction requests for 2011/12, to facilitate the further restructuring of the organisation that will be required to balance the 2012/13 budget. The submission date was 12 May 2011 and although it was difficult to have certainty as to reduction in the staffing level or the costs incurred as the budget process for 2012/13 is in its early stages, I prepared a submission for the DCLG for a sum of £3.193m to cover anticipated redundancy costs.

At this stage there is no assumption that such a direction would be granted as the Government is limiting the nationally available resource for capitalisation to £300m for 2011/12 and is keen that Authorities use their reserves/balances to address short term costs and pressures and the management of transformational change. However, the advantage of the accelerated timeline is that the DCLG will give a much earlier notification of success or otherwise and this will provide the Council with some certainty in its financial planning processes.

## **6.7 Impact of the Comprehensive Spending Review**

The Comprehensive Spending Review (CSR) was announced on 20 October 2010 and as expected the Government outlined its policy to make reductions in funding to Local Government over four financial years from 2011/12 as part of its strategy to reduce the national debt. The CSR provided a framework around which further detailed announcements would be made but did not provide any detailed funding information. It did, however, indicate that savings for Local Government would be frontloaded and would have a most significant impact on 2011/12 and 2012/13. The lack of certainty about the resources available to the Council had an impact on the advice that I could give to Members in planning for the 2011/12 budget process. The theme of the 2011/12 budget round was "Investing in the Future: Building on Our Success" and whilst planning began early in 2010/11, including officer and member work on reviewing current spending trends, priorities and considering options for reducing spending, I was unable to provide definitive figures until comparatively late in the budget process.

The most significant announcements made after the CSR from a Local Government Finance perspective, was the provisional Local Government Finance Settlement which was issued on 13 December 2010 with the final Settlement being received on 31 January 2011. The Settlement, however, only provided information about Government funding for two financial years and so did not align to the CSR timeframe as had been anticipated. It has therefore made financial planning more speculative for 2013/14 and 2014/15.

### **6.7.1 Revenue Budget for 2011/12 and Medium Term Financial Strategy**

The 2011/12 Settlement was very complex with a range of grants being amalgamated into the general allocation of Government funding the Total Formula Grant (TFG), other specific grant funding being withdrawn and the ring fencing being removed from most grants. There were also changes to the formula which allocated the funding and some switching of responsibilities away from and to Local Authorities. This made it difficult to make comparisons between years and, as the data set from Central Government was incomplete, to make definitive projections. I therefore had to rebase the 2010/11 budget to enable there to be any form of meaningful comparison. It meant that the comparative budget for 2010/11 changed from £232.363m to £253.755m to reflect the way in which Government funding allocations had been revised.

The key issues from the Local Government Finance Settlement were:

- The ABG was abolished but other new funding streams were introduced including Early Intervention Grant, Council Tax Freeze Grant, Lead Local Flood Authorities Grant and Learning Disability and Health Reform funding
- A range of education grants totalling £29.985m were transferred to the ring fenced Dedicated Schools Grant for use by schools
- A new concept was introduced in the settlement, **Revenue Spending Power (RSP)**. Using the RSP analysis, the Government announced that, as a result of the Settlement, Councils were to face an average funding cut of 4.4% and no Local Authority would face a cut of more than 8.8%. Using RSP, Oldham's reduction in funding was 7.96%. The calculated reduction in resources was higher, with TFG falling by £14.349m, 10.49%, on an adjusted i.e. comparable basis, in 2011/12.

- Taking all the funding information into account, there was a net reduction in funding from Government of £21.222m, which was obviously a major challenge for the Council.

In line with Council Policy and also due to the availability of Council Tax Freeze Grant from Central Government estimated at £2.1m, the Council was able to maintain Council Tax at 2010/11 levels with a Council Tax at Band D of £1,345.85 for Council services and £1,542.83 inclusive of Greater Manchester (GM) Police and Fire Authority precepts.

Therefore having established that resources available would be £234.337m, and taking into consideration the requirement to save £21.222m arising from Government funding reductions, I then identified that the Council had a further £20.142m of cost pressures. These included increases to the levies paid to the Greater Manchester Waste Disposal Authority (GMWDA) and the Greater Manchester Integrated Transport Authority (GMITA) totalling £1.269m, the costs of pension and national insurance increases (£2.485m), continuation funding for former grant funded services (£8.710m), and a net £4.630m as a result of the need to replenish balances for the costs of anticipated pension and redundancy costs not covered by the capitalisation direction. As noted at Section 6.6, the actual costs that have not been covered by the capitalisation direction are £4.61m.

Bringing all this information together, I advised Members that the budget gap was £39.560m and to address this, a total of £40.907m of savings were identified with reinvestment in priority areas of £1.347m, thus balancing the budget. The 2011/12 budget was approved at the Council meeting on 23 February 2011. The table below shows the approved budget on a Directorate basis, highlighting the rebasing, cost pressures and savings the net saving of £39.560m (£12.221m as a result of the loss of ABG and £27.339m to address the remaining funding gap).

Service Area	Closing 2010/11 Budget £000	Adjustment to base to reflect changes in Govt funding £000	Revised Base Budget for 2011/12 £000	Cost Pressures £000	Savings caused by the loss of ABG £000	All other Savings and Investments £000	Approved Budget £000
Assistant Chief Executive	2,965	694	3,659	-	(670)	(16)	2,973
Economy, Place and Skills	69,824	1,409	71,233	1,492	(1,311)	(3,486)	67,928
People, Communities & Society	127,060	16,577	143,637	8,810	(9,744)	(13,655)	129,048
Performance, Services & Capacity	8,498	2,712	11,210	110	(496)	(2,290)	8,534
Corporate Management	-	-	-	-	-	-	-
Corporate & Democratic Core	6,025	-	6,025	-	-	-	6,025
Capital & Treasury Management	17,991	-	17,991	9,730	-	(7,892)	19,829
<b>TOTAL</b>	<b>232,363</b>	<b>21,392</b>	<b>253,755</b>	<b>20,142</b>	<b>(12,221)</b>	<b>(27,339)</b>	<b>234,337</b>

This reduction in expenditure has clearly had a considerable impact on the way in which the Council operates. However, the downward movement in resources is set to continue as detailed in the MTFS covering the years 2011/12 to 2014/15. In the report which I prepared for the 23 February Council meeting, the projected level of revenue savings required from 2012/13 to 2014/15 is set out below. Whilst the projected savings are lower than for 2011/12, they are nonetheless significant and in many respects in a harder challenge as more radical budget proposals are likely to be required.

Year	Projected Savings Requirement £m
2012/13	24.493
2013/14	16.418
2014/15	14.043

These figures are of course subject to change as more detailed information becomes available over time but provide a planning base upon which the Council can develop its future operational arrangements. A key issue for financial planning is the lack of confirmed funding for the four year period covering the life of the CSR. With the lack of certainty about Government funding, projections for 2013/14 and 2014/15 are therefore more tentative.

### 6.7.2 Capital Programme 2011/12 to 2014/15

Both the Provisional and Final Settlements also included information on capital funding allocations. As I expected, funding for the capital programme was reduced, with a switch from the issuing of borrowing powers to finance some elements of capital expenditure, to the allocation of Government grant funding. Ring fencing of funding was also removed from many areas.

In overall terms, resources for 2011/12 total £90.606m which includes £60.853m of Government resources for the Building Schools for the Future and Academies programme. In total, £71.483m of specific Central Government funding is budgeted to be utilised to support the capital programme. Future years' resources taper considerably, as there is uncertainty about Government funding levels. I have prudently prepared the Council's projection of capital receipts, given the current economic climate which is having an impact on both the level of receipts (often below anticipated levels) and their timing (sales taking much longer to complete). The table below shows the availability of resources.

<b>Funding</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Government Grants – BSF	60,853	16,812	643	2,764
Government Grants – Other	10,630	2,973	2,222	2,093
Capital Receipts	4,035	2,572	2,057	1,877
2010/11 Carried Forward Resources	3,951	-	-	-
Prudential Borrowing	10,838	12,823	4,895	-1,877
Other	299	48	13	-
<b>Total</b>	<b>90,606</b>	<b>35,228</b>	<b>9,830</b>	<b>4,857</b>

Following previous practice, I prepared the capital programme so that it balanced over a pre determined timeframe, in this instance, four years from 2011/12 to 2014/15 to mirror the timeline of the Medium Term Financial Strategy.

A review of the capital programme and capital plans highlighted that there were already a range of commitments for 2011/12 and future years which needed to be factored into the programme. As a consequence, these commitments utilised a high proportion of the capital resources available for 2011/12 and future years. The table overleaf summarises the approved capital programme on a Directorate basis. It shows that £9.072m was allocated in 2011/12 for new priority projects in accordance with the capital strategy, the major areas being corporate major repairs £1m, the Greater Manchester Transport Plan £1.145m and Investment in schools £6.2m. As transport and schools are in effect both regional and national commitments, there was limited opportunity for prioritising resources to Council commitments.

## Capital Proposals for 2011/12 to 2014/15

<b>Proposed Capital Spending</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Corporate Expenditure	1,000	770	23	-
Economy Places & Skills	73,558	30,024	8,238	3,417
People, Communities & Society - Schools	3,937	-	-	-
Performance, Service & Capacity	959	602	-	-
Over programming from 2010/11	1,136	-	-	-
<b>Total Expenditure</b>	<b>80,590</b>	<b>31,396</b>	<b>8,261</b>	<b>3,417</b>
<b>Total Funding</b>	<b>(90,606)</b>	<b>(35,228)</b>	<b>(9,830)</b>	<b>(4,857)</b>
<b>(Over)/under programming</b>	<b>10,016</b>	<b>3,832</b>	<b>1,569</b>	<b>1,440</b>
<b>New Priority Projects</b>	<b>9,072</b>	<b>3,432</b>	<b>2,742</b>	<b>1,611</b>
<b>Balance of Resources available by year</b>	<b>944</b>	<b>400</b>	<b>(1,173)</b>	<b>(171)</b>
<b>Cumulative balance of resources</b>	<b>944</b>	<b>1,344</b>	<b>171</b>	<b>-</b>

It is, however, likely that the capital position will change as 2011/12 progresses as:

- allocations for funding for schools have only been given for one year and future years funding is anticipated
- it is also likely that there will be additional funding streams notified at a later date
- regional funding streams, including the Regional Growth Fund, will provide additional opportunities for resources especially as Government policy is targeting much more resource at a regional level.

### 6.7.3 Local Sustainable Transport Fund

The Local Sustainable Transport Fund is one such Government funding stream introduced in the CSR that will provide an opportunity for increased resources for Oldham. Its purpose is to support enhanced packages of transport measures that support economic growth and reduce carbon. The fund is worth £560 million over 4 years to 2014/15, and consists of £350m revenue and £210m capital.

Transport for Greater Manchester submitted a bid to the Department for Transport [DfT] for £45m on 6 June 2011, which set out a programme of sustainable transport measures across Greater Manchester, including Oldham. The DfT will announce its shortlist of successful bids at the end of July 2011. For these shortlisted bids, full business cases are required by 20 December 2011. Funding decisions will be announced in June 2012.

Transport for Greater Manchester also took up the DfT's option to submit an additional bid, the £5m Greater Manchester Commuter Cycling Project, with a significant Oldham element, on 18 April 2011. This was approved by the DfT on 5 July 2011.

### 6.7.4 HRA

At its meeting of 23 February 2011, the Council approved the revised HRA budget for 2010/11 estimating a cumulative surplus together with the HRA budget for 2011/12 with projections for 2012/13 to 2014/15. Following on from the transfer on 7 February 2011 of the non PFI housing stock to a registered provider of social housing (First Choice Homes Oldham), I prepared the HRA budget so that it only dealt with properties within the two PFI Schemes. This was on the assumption that the PFI4 Gateway to Oldham scheme would have been signed in 2010/11, but numerous Government delays, however, mean that this is now likely to be November 2011. For each month this is further delayed, the HRA will incur additional costs of approximately £0.100m.

An important issue for the HRA is that the Council has been making unavailability deductions from the PFI2 service provider with disputed deductions exceeding £2.500m. The disputed deductions will be assessed by an independent adjudicator who will deliver his verdict on 29 July 2011. The Council is, however, confident of its case and it is highly probable that further significant deductions will be made. It is also possible that a counter-claim for additional works may be submitted against the Council although the Council is very confident that any future arbitration will be found in its favour. This issue is however included within the Contingent Liabilities note (49) to the accounts.

In the CSR, the Government announced that self-financing HRA proposals would be published shortly. DCLG subsequently issued a policy document, [\*Implementing Self-Financing for Council Housing\*](#) in February 2011, to support the clauses in the Localism Bill which will allow the abolition of the HRA subsidy system and the introduction of a new system of self-financing. The impact of self financing is likely to have a major impact on the HRA going forward, from April 2012. The basic proposal is for the abolition of the HRA Subsidy regime and a redistribution of debt between Local Authorities. This will be based on the Government's assessment of what each Authority can afford after allowing for future rent levels and allowances for capital expenditure, management and maintenance of housing stock (over the next 30 years), thereby enabling an Authority to support its own housing stock from the income it generates. The base data return for 2013/13 has been expanded to include a section to capture data relevant to self financing.

#### **6.7.5 Treasury Management Strategy 2011/12**

I prepared the Treasury Management Strategy 2011/12 for consideration and approval by Members at the Council meeting of 23 February 2011. The stock transfer having taken place removed the uncertainty around the exact financial implications for the Council and this provided greater clarity for the borrowing and investment strategies. I considered that the Council would have a limited requirement for new borrowing but interest rates would influence the timing of any transactions. Investment priorities remain as the security of capital and the liquidity of investments with the aim of receiving an optimum return on investments commensurate with proper levels of security and liquidity and given the low interest rates available because of the economic climate, investments are being kept short term.

#### **6.7.6 The Projected Level of Balances**

A key component of the 2011/12 budget papers I prepared for the 23 February Council meeting was the projection of balances going forward. I advised Members that on a risk assessed basis, resources of £13.778m would be required at the end of 2010/11. The risk assessed level of balances required at the end of 2011/12 was projected at £15.401m, however, this was always subject to review. The use of balances to finance pensions and redundancy costs in 2010/11 has reduced balances by £4.610m, but as the budget for 2011/12 was approved with resources of £4.63m to restore balances, the Council moved into 2011/12 with reserves at the correct level. This will help it withstand any pressures arising from the harsh economic climate which as highlighted at 5.1.1 has implications for the demand of services but also the Council's ability to generate income from services and maintain levels of Council Tax collection.

### **7 Other Issues Affecting Oldham Council with an Impact Future Years**

I am of course aware that there are a range of other initiatives which will impact on the Council in future years. Some of these were in train during 2010/11, others have been developing over the last few years. I have included some information on those issues that I consider to be the most important in the following section. It should be noted that some of these issues are local to Oldham and are therefore under the direct control of the Council. Others are Government directed initiatives to which Oldham is determining the most appropriate local response.

## **7.1 Repositioning Oldham**

The Council's current operating model was developed and introduced over the last two years, and has enabled the delivery of a comprehensive programme of recovery and improvement across the Council. The next phase of the Council's improvement journey has been accelerated by the likely impact of the national financial position and wider policy changes. It is therefore planned that in future, the Council will not deliver all the services that it currently does but will have a strong enabling role, ensuring the environment and conditions in which others can act and achieve.

In future, the Council will therefore focus on enabling people to do things for themselves and removing barriers that make this difficult. It will work with partners and communities in a range of ways – from prevention, shaping services and using regulatory roles where appropriate. It will retain its role in protecting the most vulnerable through safeguarding, but it will have a much wider role as well, which will continue to be relevant to all places and people.

In order to be successful, Oldham Council needs to have the structures and processes that enable it to match the complexity and diversity of the environments in which it operates and will therefore put in place a new Operating Framework which, whilst setting out how the organisation will need to take shape and operate in the next 12/24 months, will also be flexible to respond to environmental changes as they arise.

The new operating model will have the following key aspects:

- Service Alliance – Delivery of services for people and places to meet local needs in the most appropriate and cost effective way, by collaboration at different spatial levels (e.g. AGMA, neighbourhood and borough)
- Integrated Commissioning - Evidence based planning, procurement and evaluation of services for people and places to ensure value for public money and positive impact
- Strategic Core - A Council wide approach to strategic leadership in order to develop, drive and align the vision, values, resources and priorities of the Council
- Traded Services – An initiative to consider which of the Council's non-statutory services can be traded with a view to generating profit and subsidise front line services

There will also be an increased emphasis on devolving services to a neighbourhood level in line with the principles of the Co-operative Council.

Work is continuing to develop the new operating model and it is likely that there will be a range of further changes to the organisational structure during 2011/12.

## **7.2 Joint Commissioning of Services with the NHS**

One key development which will influence the future operating model of the Council is the transfer of functions that are currently undertaken by the Primary Care Trust (PCT). The NHS White Paper Equity and Excellence: Liberating the NHS (July 2010) and the subsequent Health and Social Care Bill (January 2011) highlight a changing focus on statutory responsibilities and commissioning responsibilities for the NHS and Local Authorities.

Along with the Public Health White Paper: Healthy Lives, Healthy People: Our Strategy for Public Health in England (November 2010) they provide the context for health and wellbeing developments over the coming years.

There will be significant changes in organisational responsibilities, with financial flows (possibly up to £15m per annum of additional funding for Oldham Council from 2013/14) and transferring functions. This change will need to be delivered at the same time as reductions in total NHS and Local Government funding and all the other organisational change that the Council will be facing.

The current national context gives clear messages about the need for respective organisations to deliver efficiencies whilst striving for continuous improvement and better outcomes.

Some of the key changes that will impact on the Council are:

- Democratic legitimacy - with local Councils and clinicians coming together to shape local services
- Radical changes to commissioning roles, functions and governance arrangements with most NHS Services being commissioned by GPs working in consortia (Oldham GP consortia has received early pathfinder status for 2011)
- The provision of services by a wider range of foundation NHS Trusts and other independent providers
- Partnerships will be led by a Health and Well Being Board which has statutory responsibilities (already operating in shadow form in Oldham from April 2011)
- NHS responsibilities for local health improvement and public health functions will become the responsibility of Local Authorities (plans are to transfer first stages of public health functions to Oldham Council by December 2011 with full integration 2013)
- Patients will be given a stronger voice through the introduction of a new consumer champion, HealthWatch England based within Care Quality Commission. Local involvement networks (LINKs) will become the local HealthWatch to ensure that the views and feedback of patients and carers are an integral part of local commissioning across health and social care

The June 2011 'pause' in the Health and Social Care Bill's parliamentary progress, with the proposed revisions to it to date, have not altered the general thrust of these changes.

An extensive work programme is in place to prepare for the transition with a wide range of planning being undertaken and joint working arrangements being developed. The Council has a Joint Commissioning team within its organisational structure which is proactively leading work with NHS colleagues. In addition, the Director of Public Health is being integrated into the Senior Leadership Team of the Council. The MTFS for 2011/12 to 2014/15 has been prepared to anticipate the impact of the transfer of resource and functions.

### **7.3 Joint Working with Rochdale Council**

Oldham and Rochdale Councils have worked well together for many years, both within the Association of Greater Manchester Authorities and as close neighbours with much in common.

Both Councils are facing some immense challenges, arising from huge reductions in resources available which will result in Local Authorities having to take some tough decisions over the next few years.

In response to these challenges, Councillors from both boroughs (representing all the political groups), met to explore ways in which, by working together, the Councils could:

- look at how we can better deliver services to our residents
- improve the efficiency of our services and
- identify and remove duplication.

It had been planned that at meetings of both Councils on 20 July, there would be formal approval to move forward on formal joint working arrangements. However, the Councils have chosen instead to continue to work on a more informal basis on selected service developments.

### **7.4 Regional Working across Greater Manchester**

The last few years have seen significant developments both in ambition and joint working arrangements across Greater Manchester. The Manchester Independent Economic Review (MIER) highlighted how the Sub-Region has the scale and density to grow much more rapidly. The Greater Manchester Strategy has been prepared and sets out a clear, shared agenda around the vision for 2020 of a new model for sustainable economic growth based around a more connected, talented and greener sub-region where the prosperity secured is enjoyed by the many and not the few.

Oldham is playing a full and active role in the Greater Manchester agenda, recognising the strong connections between the economic future of the sub-region and the borough and is directing resources where possible to support regional initiatives. Any joint working with Rochdale Council will be channelled to ensure that it enhances regional development.

## **7.5 Greater Manchester Combined Authority**

The Local Government, Economic Development and Construction Act, which received Royal Assent on 12 November 2009, enabled the Greater Manchester Combined Authority (GMCA) to assume its powers and duties on 1 April 2011.

On 1 April 2011, GMCA, which has powers to hold its own resources and employ its own staff:

- Became the accountable body, through its Transport for Greater Manchester Committee (TfGMC), for the duties previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced
- Took over the activities of three former AGMA transport units, responsible for planning, traffic control and wide loads and assumed responsibility for the transportation resources allocated to the Greater Manchester region. In common with all Greater Manchester Metropolitan Boroughs, Oldham Council handed over its traffic lights assets to GMCA on 1 April 2011. Oldham Council will contribute £312,000 to GMCA for TfGMC's revenue budget in 2011/12
- Took over the regional economic development functions formerly exercised by AGMA and Oldham Council will make a contribution of £234,000 to the GMCA revenue budget to support these functions in 2011/12

GMCA has also set up the business-led Local Enterprise Partnership (LEP) to foster joint economic development work with the private sector.

## **7.6 Housing (Round 4) PFI Project**

This is a 25 year project that will see the transfer of approximately 650 properties to Oldham Inspiral (Great Places Housing Association). The project will be a mixture of property demolition, new build and refurbishment. Inspiral will also be responsible for management and maintenance of the properties. Final discussions are on-going with Government and it is anticipated that project will commence in November 2011. The total unitary charge payments over the life of the contract are expected to be approximately £248m. Council financial forecasts have incorporated the costs of this scheme.

## **7.7 Street Lighting PFI Project**

This is a joint project with Rochdale Council spanning a period of 25 years and includes the replacement of approximately 25,000 street lights in Oldham in the first five years. The service provider will be responsible for all management and maintenance of street lights. The Government review of public sector expenditure delayed confirmation for funding for this project, which was finally confirmed in April 2011. Following further negotiations, the contract for the project was signed on 19 April 2011 and service commenced on 4 July 2011. The unitary charge payments over the life of the project for Oldham are expected to be approximately £111m. Council financial forecasts have incorporated the costs of this scheme.

## **7.8 Future Changes in the Funding of Local Government**

The Government has initiated a Local Government Resource Review, the main focus is around the methodology for collection and retention of Business Rates with a longer term aim of Government being to "free" Councils from being funded via Central Government where this is practical as well as develop better incentives for Local Authorities to promote economic growth in their areas and to

benefit financially from that growth. In essence this would result in Councils being wholly funded by locally raised Council Tax and Business Rates, with minimal additional resource coming from Central Government.

The Terms of Reference were set out in a Written Statement on 17 March 2011 as previously reported. The consultation commenced on Monday 18 July and ends on Monday 24 October 2011.

The consultation sets out the Government's proposed core components for a business rates retention system including baselining, pooling and top ups for Authorities (like Oldham) that currently receive amounts in excess of that which is collected locally. Additionally the consultation considers how the Government proposes Tax Increment Financing will operate within the business rates retention system as a way of funding infrastructure investment to unlock economic growth. The consultation also outlines how the proposals interact with wider Government initiatives to promote growth, including the existing New Homes Bonus, and considers how it will work alongside the existing architecture of the business rates system which it is not proposed to change – for example rate reliefs and the national business rate multiplier. At this stage, the new scheme will only be fully introduced in 2015/16, after the current CSR period.

Eight technical papers will be published in August which will provide further detail on some of the topics in this consultation.

This is obviously an important area for the future financing of Oldham and as such I will be leading the work that the Council engages in to ensure that any future funding arrangements as far as possible protect Councils such as Oldham. I will be advising that any new funding arrangements should minimise any adverse funding implications and that potentially a form of "equalisation" should be supported to take account of the gap between rates currently collected and those redistributed.

A second phase of the review will focus on community budgets with pilot Authorities taking part in a scheme from 1 April 2011.

## **7.9 Housing Benefit /Council Tax Benefit Changes**

From the financial year 2013/14, substantial changes are proposed to housing benefit administration and the financial responsibility for Council Tax Benefit. The Government is planning to implement the "Universal Credit" system for new housing benefit claimants from 1 April 2013. The financial impact on the Council who administer housing benefit on behalf of the Department of Work and Pensions (DWP) will become clearer as the detailed proposals are developed. From 1 April 2013, financial responsibility for Council Tax benefit will be transferred from the DWP to Oldham Council. The level of funding transferred to the Council will be 90% of the present level which is reimbursed by the DWP. If Council Tax Benefit remains at its present level then from 1 April 2013 the estimated cost to the Council will be in excess of £2m.

## **7.10 Change in Political Administration at Oldham Council**

As a result of the Local Election on 5 May 2011, there was be a change in political administration effective from the Annual General Council Meeting on 25 May, as the Labour Party became the largest political group on the Council. The Labour Administration has prepared an emergency revenue budget which has been consulted upon and was approved at the Council meeting of 20 July 2011. This deleted some of the savings proposals approved at the February Council meeting, introduced a number of new budget proposals and used the released resources to invest in service provision (£872k of investment in 2011/12 and £1.180m in 2012/13).

A review of the capital programme is also taking place but this is still in progress and will be completed by the end of the summer.

The principles that have formed the emergency budget are driven by the concept of a Co-operative Council. The three main objectives of the budget were based around core values which connect all policies savings and investment outlined in the budget.

- devolving power to neighbourhoods
- protecting the vulnerable and frontline services
- removing waste, red tape and non essential spending

## **8 Key Accounting Information for the Financial Year 2010/11**

Having presented key information about Oldham Council to enable the reader to understand key issues that have influenced the financial performance of the Council in 2010/11 and those matters that will impact on it in future years, it is important to move onto the presentation of the 2010/11 accounts. I therefore set out information on purpose of the various statements included in the 2010/11 accounts followed by details of the Core and Supplementary Financial Statements that present the overall financial position of the Council.

### **8.1 Summary of the Purpose of the Various Statements Included in the 2010/11 Accounts**

#### **The Statement of Responsibilities for the Statement of Accounts**

This Statement sets out the respective responsibilities of the Authority and the Chief Financial Officer (Borough Treasurer) for the accounts.

#### **The Auditor's Statement**

This is the Independent Auditor's Report to Oldham Council including the Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources.

#### **The Annual Governance Statement**

This gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

### **8.2 Core Financial Statements**

#### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line, shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

#### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

## **8.3 Supplementary Financial Statements**

### **Housing Revenue Account**

This account reflects the statutory obligation to ring fence and show separately the financial transactions relating to the provision of Council housing. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

### **Collection Fund**

This account is maintained separately, as a statutory requirement. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Council in relation to the collection from taxpayers and distribution to Local Authorities and the Government of Council Tax and non-domestic rates.

### **Group Accounts**

The Council is required to prepare Group Accounts where the Council has an interest in subsidiaries, associates and/or jointly controlled entities subject to the consideration of materiality. These statements consolidate the Council's accounts with those of:

- First Choice Homes Oldham Limited (only up to 7 February 2011) ;
- Oldham Educational Enterprises Limited;
- Unity Partnership Limited;
- Meridian Development Company Limited ; and
- Community First Oldham (Chadderton) Limited

## **8.4 Underlying Accounting Principles**

I have used four underlying principles in order to prepare the accounts so that they demonstrate:

a) Understandability

The accounts are based on accounting concepts, treatments and terminology that assume that a reader has:

- a reasonable knowledge of the business of Local Authorities and the ways in which services are provided
- a reasonable knowledge of accounting
- a willingness to study the information required with reasonable diligence

However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

b) Relevance

The accounts provide information about the Authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions. Information is presented so that it will assist readers to understand the Council's current financial position or to make predictions about its financial trends.

The relevance of information contained in the accounts is affected by its nature and materiality (whether its misstatement or omission might reasonably be expected to influence assessments of the Councils stewardship, economic decisions or comparisons with other organisations based on financial statements) and therefore a judgement has been made about the levels of materiality to ensure that relevant issues are disclosed.

c) Reliability

The financial information within the accounts has been prepared so that it:

- can be depended upon to represent faithfully what it either purports to represent or could reasonably be expected to represent and therefore reflects the substance of the transactions and other events that have taken place;
- is free from bias (i.e. it is neutral);
- is free from material error;
- is complete within the bounds of materiality and cost; and
- under conditions of uncertainty, it has been prudently prepared (i.e. a degree of caution has been applied in exercising judgement and making the necessary estimates)

d) Comparability

In addition to complying with the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting in England 2010's Statement of Recommended Practice, the Authority's accounts also comply with the Best Value Accounting Code of Practice. The application of the terms, accounting policies and requirements of these two documents is the way in which the Council has ensured consistency of financial information in the financial statements leading to comparability.

## **8.5 International Financial Reporting Standards**

### **8.5.1 Introduction to the Adoption of International Financial Reporting Standards (IFRS)**

The most significant feature of the 2010/11 accounts is the change in presentation from previous financial years because of the introduction of IFRS. In 2009/10 the Council prepared its accounts in accordance with UK General Accepted Accounting Practices (UK GAAP) as adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) under the Statement of Recommended Practice (SoRP). In accordance with the requirements set out in the Government Budget Statement of March 2008 the Council is required to prepare its financial statements for the year ended 31 March 2011 in accordance with IFRS, including the restatement of comparative information for the year ended 31 March 2010.

In order to ensure that the very exacting requirements of IFRS were addressed appropriately, I created a dedicated team of Finance officers and implemented a detailed plan of action so that all the necessary steps in the transition to IFRS were taken. The production of the accounts under IFRS has required a lot of hard work and has been very much a team effort with officers from other Council Directorates and the Unity Partnership making a valuable contribution.

## 8.5.2 Basis of preparation of Financial Statements

I have prepared the financial statements, included the restated figures in accordance with IFRS as adopted by the European Union's International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act applicable to companies reporting under IFRS. International Accounting Standard 1 (IAS1) 'Presentation of Financial Statements' is effective for the year ended 31 March 2011 and this standard requires a change in the format and presentation of the Council's primary statements but has had no impact on reported balances or outturn performance.

I have also prepared the accounts having regard to IAS 1 exemptions for "First-Time Adoption of International Financial Reporting Standards" which permits those adopting IFRS for the first time to take advantage of regulations to mitigate the impact on the general fund balance and therefore not affect Council Tax levels.

The date of transition to IFRS for Oldham Council is the first day of the comparative financial period, i.e. 1 April 2009 and in order to fully explain how the financial position is affected by the transition from UK GAAP to IFRS, I have prepared the following narrative and supporting tables to explain some of the key figures and changes between years in the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and Cash Flow Statements.

### a) Movement in Reserves Statement

The Movement in Reserves Statement replaces the Statement of Movement in General Fund Balance and the Movement in Reserves note. The Movement in Reserves Statement is a new requirement and has been restated for the financial year 2009/10 for IFRS. In summary, the key adjusted figures to note are:

	<b>Total Reserves £m</b>
Balance at 31 March 2009 – UK GAAP	303.314
IFRS Adjustment 2008/09	146.513
Balance at 31 March 2009 – IFRS	449.827
Increase/Decrease (movement) in Year	(255.795)
Balance at 31 March 2010 carried forward	194.032

The change in the figures is primarily due to the balances moving to both useable and unusable reserves, the most significant movements being:

- A new reserve has been created for Capital Grants unapplied with the balance on this account at the year end 31 March 2010 at £11.128m
- Balances moved to earmarked reserves of £18m for revenue grants received in advance

### b) Comprehensive Income and Expenditure Statement (CIES)

This replaces the Income and Expenditure account and now includes what was classified as the Statement of Total Recognised Gains and Losses under UK GAAP.

The CIES has been restated under IFRS for the financial year 2009/10 and the various adjustments required to restate the figures included in the 2009/10 accounts are included in the following statement. The adjustments to the statement are listed in the notes below.

In summary, some of the key adjusted figures to note are:

	<b>2009/10 Published Accounts Position £m</b>	<b>Restated 2009/10 Accounts Position £m</b>
Cost of Services	243.973	240.700
Deficit on the Provision of Services	57.126	43.253
Adjustments required by statute and non statutory proper practices	(56.377)	(42,504)
General fund balance brought forward	(20.329)	(20.329)
Increase in year	0.749	0.749
General fund balance carried forward	(19.580)	(19.580)

Whilst the Other Comprehensive Income and Expenditure figures remain the same, the overall change is as a result of balances moving to reserves which changes the CIES but does not impact on the General Fund Balance. The significant changes to the CIES are as follows:

- Government grants of £24.842m have been taken to the reserves by recognising the grants in the year as income received in the year. Under UK GAAP these grants would not have been recognised in the year until they could be matched to expenditure
- An employee accrual has been charged in the year for holidays untaken at the 31 March 2010. Under UK GAAP this accrual was not required

#### c) Balance Sheet

The Balance Sheet has been restated for IFRS as at 1 April 2009 and 1 April 2010. In summary, the key adjusted figures to note are:

	<b>Balance Sheet at 31 March 2009 under UKGAAP £m</b>	<b>Balance Sheet at 1 April 2009 under IFRS £m</b>	<b>Balance Sheet at 31 March 2010 under UKGAAP £m</b>	<b>Balance Sheet at 1 April 2010 under IFRS £m</b>
Long Term Assets	1,093	1,098	1,092	1,083
Current Assets	155	143	100	94
Current Liabilities	(155)	(137)	(121)	(103)
Long Term Liabilities	(790)	(654)	(1,037)	(880)
Net Assets	303	450	34	194
<b>Total Reserves</b>	<b>(303)</b>	<b>(450)</b>	<b>(34)</b>	<b>(194)</b>

The main movement on the Balance Sheet is the change to the Government Grants Deferred account which now moves from long term liabilities to the Capital Adjustment account. The total movement is £150m. Other changes are new reserves as stated above which again move balances from liabilities to the reserves.

d) Cash flow

The cash flow is split into four sections under IFRS: operating activities investing activities; financing activities and cash and cash equivalents. The indirect method of completing the cash flow statement has been used as this is recommended under IFRS. The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period whereas under UK GAAP this statement did not include movements in cash equivalents. The 2009/10 Cash Flow Statement under UK GAAP was based on an improvement of £4.4m from a net overdrawn position of £9.3m to £4.9m. The inclusion of cash equivalents boosted the opening and closing positions by £29.2m to £19.9m and by £5.1m to £0.2m respectively so the restated 2009/10 Cash Flow Statement sets out the movements underlying a £19.7m reduction in cash and cash equivalents.

### 8.5.3 New Reporting Requirements under IFRS

There are a number of major reporting requirements and changes arising from IFRS that have directly influenced the figures set out above. I set out some explanations of these new reporting developments in the following sections of the Foreword:

a) Employee Benefits

Under IAS 19 Employee Benefits, the employee benefits disclosures consist of 4 elements

- Short term benefits such as wages, salaries and National Insurance contributions, annual leave and flexi time leave
- Post Employment benefits such as pensions and other retirement benefits
- Other long term benefits such as long service leave
- Termination benefits

The Council currently has around 10,000 employees including school employees and these have been split into two separate categories for the purpose of calculating employee benefits, these being:

- school term time only staff (6,500)
- office based and other staff (3,500)

The main requirement in the presentation of employee benefits is the calculation of outstanding leave and flexi time as at the year end. In order to undertake this calculation for 2010/11 and for the restated accounts, a sample was taken of outstanding annual leave as at 1 April, using the Human Resources/Payroll system for manual staff and a 10% sample was taken of employees who were office based. In addition, CIPFA guidance was used to calculate leave for school term time employees, as contractual arrangements stipulate that they are subject to a 19 days accrual of leave entitlement since the statutory end date of the Spring Term is 30 April each year.

The total cost of untaken leave, flexitime and time in lieu for non school based staff at 1 April 2009 was calculated as 1.4% of the total employees cost at £1.7m (£1.7m for 2009/10). In addition, the calculation of the untaken leave flexitime and time in lieu for teachers and term time only staff comprised 4.4% of the total salaries. The cost was calculated at £5m (£5.1m for 2009/10).

A charge has therefore to be included within the CIES to recognise the liability of £6.7m as at 1 April 2009 (£6.8m for 2009/10), and this increase in expenditure is cancelled out by regulations put in place to make sure that any changes do not impact on the Council's Council Tax requirement. The creditor is shown as the Short Term Compensated Absences Account within Unusable Reserves in the Balance Sheet.

The Council has considered other short term employee benefits. The impact of these benefits has been considered not to be material. No other benefits such as maternity benefits impact on the financial statements.

## b) Property, Plant and Equipment

Under IAS 16 Property Plant and Equipment, there have been many changes to the way the Council accounts for these assets. The key change is that prior to the introduction of IFRS the statutory accounts contained categories of 'Investment Properties' and 'Surplus Assets held for Disposal' (and these had balances as at 1 April 2009 of £109.5m and £6.9m respectively) but under IFRS these balances have to be re-categorised into 'Assets Held for Sale,' 'Investment Properties' and 'Other Land and Buildings each of which is explained in the following paragraphs.

### Assets Held for Sale

Under IFRS 5 assets are re-categorised as Assets Held for Sale when they meet the requirement of being available for sale which are that the:

- asset must be available for immediate sale in its present condition subject to the terms and conditions that are usual and customary for sales of such assets (or disposal groups)
- sale must be highly probable and the appropriate level of management must be committed to a plan to sell the asset with an active programme initiated to locate a buyer
- asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- sale must be expected to be completed within one year from the date of classification
- action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- value of the assets should be the lower of the value before being reclassified as held for sale or market value less cost to sell.

The Council has had to identify separately the value of those assets which it planned to sell in the 12 months following the current accounting period. The current value of these assets has had to be transferred out of fixed assets, and included in the current assets part of the Balance Sheet, under a new line entitled 'assets held for sale'. Following a detailed review with the Council's Property Unit, it was agreed that there was a plan to sell assets with a value of £1.353m at 1 April 2009 and £0.351m at the end of 2009/10.

### Investment Property

Under IAS 40 (Investment Property) all property that is held solely to gain income or is being held for capital appreciation is classed as Investment Property. All property in this category is held at fair value and is not depreciated and is held at the lower of original carrying value or fair value less cost to sell.

- investment properties are held on the balance sheet at fair value and no balance is held on the revaluation reserve account as this balance is transferred to the capital adjustment accounts
- the amount transferred to investment property as at 1 April 2009 was £17.172m and £18.048m as at 31 March 2010

### Other Land and Buildings

Assets not fitting the criteria of assets held for sale or investment properties have been classed as other land and buildings.

The table below shows the asset re-categorisation under IFRS

Asset Category	Value at 31 March 2009 under UKGAAP £000	Movement £000	Revaluation under IFRS £000	Value at 1 April 2009 under IFRS £000	Movement £000	Transfers under UKGAAP to IFRS £000	Value at 31 March 2010 under IFRS £000
<b>Council Dwellings</b>	438,754	(4,329)	-	434,425	(9,131)	-	<b>425,294</b>
<b>Other Land and Buildings</b>	385,112	105,238	-	490,350	1,365	(5,763)	<b>485,952</b>
<b>Surplus Assets</b>	6,950	(6,950)	-	-	1,650	(1,650)	-
<b>Investment Property under UK GAAP</b>	109,549	(109,549)	-	-	(4,141)	4,141	-
<b>Investment Property under IFRS</b>	-	16,095	1,077	17,172	876	-	<b>18,048</b>
<b>Asset Held for Sale</b>	-	1,353	-	1,353	(1,002)	-	<b>351</b>

## Component Accounting

Component accounting is also a new concept and involves the splitting of assets into significant component parts. The Council has adopted a policy in which assets are broken into five components which have standardised life spans and are split by using standard percentages of the building.

The main purpose of component accounting is to produce accurate primary statements with the cost of the use of an asset correctly reflected in the CIES by carrying the correct depreciation associated with fixed assets and also with the correct values of fixed assets presented in the Balance Sheet.

In future years the additional information about assets that will be available should enable the Council to gain a better understanding of the asset lives and the useful lives of the component parts. This should enhance the management of the Councils assets and also allow more clarity in the planning of revenue and capital expenditure.

Components have been recognised in the financial year 2010/11 where:

- There has been a revaluation of assets
- There has been an acquisition of assets within the financial year
- Enhancement expenditure has been incurred within the financial year

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

## c) Leases

Under IAS 17 (Leases) a lease can be split into a finance lease or an operating lease. The classification of finance and operating leases has changed under IFRS so that where a lease effectively gives the user of the assets most of the 'risks and rewards' of the asset (the position for most leased items), the capital value of the asset and associated debt will have to be calculated and included on the Council's Balance Sheet.

The Council has 5,313 property leases, both of property leased by the Council from external owners ('leased in'), plus properties owned by the Council, but leased to other parties ('leased out'), almost all of which are classed as operating leases. A large percentage have peppercorn or very small rentals. Given the large number of small leases, and the negligible potential effect on the accounts of any changes, there has only been an examination of those leases where the annual rental paid or received was over £2,000, and/or the capital value of the asset is estimated at over £10,000.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's investment in the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation in order to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the CIES, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Council's general policy on borrowing costs.

Under IFRS, the following assets have now been recognised as finance leases.

Asset	Value at 1 April 2009 £000	Liability at 1 April 2009 £000	Value at 31 March 2010 £000	Liability at 31 March 2010 £000
School	1,737	(787)	1,158	(513)
Equipment	70	(70)	35	(39)

#### d) Arrangements which Contain a Lease

Under IFRIC 4 (Arrangements which Contain a Lease) where the Council pays an external contractor for services which involve use of a contractor's assets (for example, computer services, or refuse collection vehicles), the contract will have to be assessed to determine whether the contractor's assets and associated debt may have to be included on the Council's Balance Sheet. In order to comply with this requirement, all of the significant contracts which the Council operates were reviewed to assess whether any contain elements that are classed as 'implied leases'. Three potential implied leases have been identified, with only two treated as such as follows:

- Vehicles – an implied lease was identified in respect of vehicles leased for a period of five years, painted with Oldham Council logo and used solely to carry out work under the contract with Oldham Council
- Printers – an implied lease was identified in respect of large volume printers which are located within the Council's premises and are connected to the IT network
- IT equipment – an implied lease was identified in respect of IT equipment, but costs have been included within the operating lease category as the assets are low value and have short life spans

The table below highlights the costs identified relating to implied lease (finance lease) assets

Asset	Value at 1 April 2009 £000	Liability at 1 April 2009 £000	Value at 31 March 2010 £000	Liability at 31 March 2010 £000
Vehicles	2,809	(3,364)	2,464	(3,090)
Printers	276	(246)	206	(209)

#### e) Service Concessions

Under IFRIC 12 (Service Concessions), the interest element of the PFI contracts that are currently operational are separated out and listed in the CIES. The assets and liabilities associated with the interest payable are already included within the Balance Sheet.

#### f) Government Grants

There are substantial changes to the treatment of grants and contributions under IFRS, and this change has the largest impact on the Balance Sheet. Prior to IFRS, capital grants were allocated to the relevant revenue account over the same period as the asset financed by the grant was depreciated. This preserved the matching principle whereby capital expenditure and the grant or contribution which funded the asset, were charged to the revenue account in the same proportions each year and over the same life. IFRS however requires capital grants to be allocated in full to the CIES, in the year(s) the grant is spent.

IFRS also requires that the conditions attached to Government grants should be reviewed and the treatment in the accounts varies as to whether the conditions have been met so that:

- If the conditions of grants received in advance have been met then the grant has been recognised in the CIES
- If the conditions are met and the grant is unspent the grant has been included in reserves
- If the grant has been received and the conditions not met the grant has been treated as a creditor
- Grants and contributions have not been recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and when grants have been awarded and the conditions of grant relate to performance criteria, it is the conditions giving rise to costs and expenses which have determined the periods over which the grant is earned.

The revised presentation of Government Grants had the effect of moving £130m at 1 April 2009 and £20m as at the end of 2009/10 from Government Grants deferred to the Capital Adjustment Account. In addition, two new reserves have been created to allocate grant where no conditions exist but the money has not been spent. These are called the Capital Grant Unapplied Reserve (£11m balance at 31 March 2010) and, within Earmarked Reserves shown in Note 8, the Revenue Grants Reserve (£18m balance at 31 March 2010).

#### g) Presentational Adjustments

Under IFRS a number of other changes to the presentation of the financial statements have been made:

- Long-term construction contract balances have been moved from inventory to their appropriate headings within debtors and creditors
- Cash and cash equivalents – A new policy on cash has been agreed to ensure IFRS compliance so that any short term investments with a term of three months or less are classified as cash and cash equivalents. This has resulted in £29.2 m at 1 April 2009 and £24m at the end of 2009/10 being transferred from short term investments to cash and cash equivalents
- Provisions – These have been split into long and short term provisions with any provision which is likely to be required within one year being classified as short term
- Levies – are now presented within 'other operating expenditure' in the CIES
- Significant management judgement in applying accounting policies have also been presented and included in Note 3 to the accounts
- Assumptions also have to be made about the future and other major sources of estimation uncertainty and these are included in Note 4 to the accounts

## 8.6 Retirement Benefits

The Council is required to include information on retirement benefits within the Statement of Accounts which must be in accordance with the International Accounting Standard 19. Therefore I have summarised the treatment of pensions and other forms of retirement benefits for the Explanatory Foreword.

The majority of non-teaching staff who work for the Council are members of the Greater Manchester Pension Fund (GMPF). Tameside MBC administers this fund on behalf of the ten Greater Manchester Councils. Figures contained in the Statement of Accounts are based on the latest full valuation of the scheme as at 31 March 2010 by Hymans Robertson LLP, an independent firm of actuaries. This stated that the Fund's liabilities were more than its assets. The Council's proportion of this net liability was estimated at £141.4m compared to £358.3m at 31 March 2010. This is represented by a reduction in liabilities of £196.4m and an increase in assets of £20.5m. The overall decrease is primarily because the financial assumptions at March 2011 were more favourable than those at March 2010. However, there has been change in one of the financial assumptions as per the Government's announcement in June 2010. This was to change the measure of inflation from Retail Price Index (RPI) to Consumer Price Index (CPI), which in turn has been a key driver in the reduction of the pension liability.

Within these figures there is an unfunded element of a total of £39.5m which has reduced when compared with the £46.0m at 31 March 2010. The £39.5m is comprised of £24.5m for non-teaching staff and £15.0m relating to teachers discretionary payments as the Council is also responsible for the costs of any additional benefits awarded upon early retirements which are outside the terms of the Teachers' scheme.

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £141.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet reducing the net assets to £123.443m. However, the statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy and the deficit on the fund will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

It should be noted that the pension fund's accounts have still to be audited so the figures upon which these accounts have been based might be subject to change.

Teachers employed by the Council are members of the Teachers Pension Scheme administered by the Department for Education and it is not possible for the Council to identify its share of the underlying liabilities. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme.

Further detail in relation to retirement benefits can be found at Notes 47 and 48 to the Core Financial Statements.

## 8.7 Events after the Reporting Period

The Code requires the disclosure of the date that the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts. This date was set at 19 May 2011 in respect of the preparation of the Subject to Audit Statement of Accounts for 2010/11 and 28 July for the audited Statement of Accounts.

The accounts have been adjusted for the following two events which took place after 31 March 2011:

- The Housing Revenue Account (Accounting Practices) Directions were issued by the Department for Communities and Local Government on 19 May 2011. The Directions required the Council to value its Housing Stock using a different discount factor (35%,

previously 48%). This has been treated as an exceptional item in the Comprehensive Income and Expenditure Statement. More details can be found in Note 53, Exceptional Items. This represents an Adjusting Event and the Council's Financial Statements and Notes to the Financial Statements have been adjusted to reflect this change.

- HMRC have now agreed that the VAT arising from the LSVT should be offset. The debtor and creditor figures have therefore been amended to remove this from the balances.

I have determined that the statements and notes will not be adjusted for two events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date. These are:

- The signing of the Street Lighting PFI contract on 19 April 2011. As this is a joint project with Rochdale Council, it will also be included as an event after the reporting period in the accounts of Rochdale Council.
- The formal creation of the Greater Manchester Combined Authority (GMCA) on 1 April 2011 which took over some of the transportation and economic development functions previously undertaken by the Council.

## **8.8 An Explanation of the Financial Position for 2010/11**

### **8.8.1 Revenue Expenditure**

The final net revenue expenditure budget for 2010/11 was £232.363m (after taking account of the in-year adjustment for ABG). This equated to a Council Tax Band D of £1,345.85 for Council services. After adjusting for reserves of £1.011m and including recognised capital grants and contributions of £73.551m, PFI grant income of £5.627m, Parish Precepts of £0.271m and the Collection Fund surplus in year of £0.219m in accordance with the IFRS requirements and in-year budget movements for transfers from balances of £3.166m, the budget increased to £314.186m, the financing of which is set out in the table below.

The Comprehensive Income and Expenditure Statement sets out the cost of services that the Council provides in accordance with the requirements of published accounts. This does not completely align to the way in which financial information is managed in-year. Therefore, set out below is the 2010/11 financial position in accordance with the Directorate structure under which the Council operates and the in-year financial monitoring information that is presented to officers and Members.

A comparison of budget and outturn is therefore set out below with the actual spend as reported against the budget for each Directorate for 2010/11 as follows:

## Revenue Outturn Compared to Budget

	Revised Budget £000	Actual £000	Over (Under) spend £000
<b>Net Expenditure</b>			
Assistant Chief Executive	2,616.0	2,540.4	(75.6)
Economy, Places and Skills	100,888.0	100,838.0	(50.0)
People, Communities and Society	163,738.9	163,694.2	(44.7)
Performance, Services and Capacity	6,220.4	6,177.9	(42.5)
Corporate, Capital and Treasury costs	40,722.9	40,931.2	208.3
<b>NET SERVICE EXPENDITURE</b>	<b>314,186.2</b>	<b>314,181.7</b>	<b>(4.5)</b>
<b>Financed by:</b>			
National Non Domestic Rates	106,179.2	106,179.2	-
Revenue Support Grant	15,418.2	15,418.2	-
Collection Fund Surplus	455.0	455.0	-
Income from Collection Fund (including Parish Precepts)	84,967.5	84,967.5	-
Area Based Grant	24,823.5	24,823.5	-
PFI Grants	5,625.7	5,625.7	-
Recognised Capital Grants and Contributions	73,551.1	73,551.1	-
Transfer from Balances	3,166.0	3,166.0	-
<b>TOTAL FUNDING</b>	<b>314,186.2</b>	<b>314,186.2</b>	<b>-</b>
<b>Corporate Under spend/ Contribution to General Fund balance</b>			<b>(4.5)</b>

In overall terms, the Council achieved a surplus of £4,500 at the end of the financial year, which is close to the final monitoring information for the year that was presented to Members at the 27 April 2011 Cabinet meeting. This projected a £78,000 underspend by the year-end.

There were no material variances at the year end as many issues that had been reported to Members in year had been addressed by budget adjustments.

### 8.8.2 Schools

Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure for the year. At the end of 2010/11, there were 101 schools (88 primary, 10 secondary and 3 special) for which the year end balances were included within the Balance Sheet of the Council.

Schools balances for 2010/11 increased over the 2009/10 figure by £2.441m to £9.299m. One of the main reasons for the increase was the uncertainty over school funding for 2011/12 and future years in light of the changes to funding being implemented by Government.

Oldham's scheme for financing schools also allows schools to carry forward excess balances. Any schools with balances in excess of 5% (secondary schools) or 8% (primary and special schools) of the following years school budget share will have those balances clawed back unless they request approval to carry forward the surplus where they have appropriate plans in place to utilise these funds. In total, 53 schools (50 primary, 2 secondary and 1 special) are in this position with £2.373m.

During 2010/11, five secondary schools closed as a consequence of the BSF programme to operate as three academies from 1 September 2010. These schools had a cumulative deficit balance of £1.122m which was funded from the Local Authority Dedicated Schools Grant Reserve in 2010/11.

In line with the various funding options that are now available for schools, some Governing bodies are exploring different funding proposals for 2011/12.

### 8.8.3 Material Items of Income and Expenditure

There were no material items of income. Material items of expenditure in year were the impairment arising from the derecognition of three schools at £63.699m (arising from two schools changing to Trust status and one to Foundation school status), with expenditure of £8.426m on termination benefits and £11.726m charged to a provision for pay and reward initiative contribution. These are set out in more detail at Note 5.

### 8.8.4 Capital Expenditure

The Council spends money on capital projects in accordance with the definition of capital expenditure as in the Local Authorities (Capital Finance and Accounting) Regulations 2003. This relates essentially to spending on assets that have a life of more than one year. The Council spent £84.002m on its capital programme in 2010/11 which is shown in the table below by Directorate area. The financing of the capital programme is also presented and shows that the major funding source was from Government grants and contributions. As can be seen, there was a variation between the revised capital programme and the final outturn. However, the outturn was in line with that forecast in the Council's month 10 monitoring report based on an analysis of expenditure profiles. The majority of the expenditure will however reprofile into 2011/12 together with the financing and does not therefore present any financial issues for the Council to address.

	2010/11 Revised Capital Programme £m	Outturn Position £m	Over (Under) spend £m
<b>Expenditure</b>			
Economy, Place and Skills	76.902	49.960	(26.942)
People, Communities and Society	27.468	18.932	(8.536)
Performance, Services and Capacity	3.840	3.286	(0.554)
HRA	10.960	11.824	0.864
<b>Total Expenditure</b>	<b>119.170</b>	<b>84.002</b>	<b>(35.168)</b>
<b>Resources</b>			
Loan	4.236	4.242	0.006
Grants & Other Contributions	69.513	53.368	(16.145)
Prudential Borrowing	19.954	8.068	(11.886)
Major Repairs Allowance	8.031	6.784	(1.247)
Revenue	4.135	6.395	2.260
Capital Receipts	12.310	5.145	(7.165)
Over programming	0.991	-	(0.991)
<b>Total Resources</b>	<b>119.170</b>	<b>84.002</b>	<b>(35.168)</b>

The capital programme is made up of a large number of individual projects which it is impracticable to list. The most significant projects and spending areas in 2010/11 are set out below:

Capital Expenditure - Economy, Place and Skills Directorate

	£m
The BSF programme- transformation of secondary schools provision in the borough	14.103
Failsworth Town Hall refurbishment	2.147
<p>Transportation Programme</p> <p>The transportation capital programme is presented to Cabinet for approval on an annual basis. The final outturn for 2010/11 showed expenditure of £11.295m compared to a revised budget of £19.006m. The major areas of expenditure were:</p> <ul style="list-style-type: none"> <li>➤ Minor works, covering areas such as improvements to the public rights of way network, cycle structure improvements, school safety zones, local safety schemes and street lighting - £1.111m</li> <li>➤ Bridge works including strengthening and the retaining walls programme - £8.911m</li> <li>➤ Structural maintenance of the carriageways with a borough wide programme of planned work - £1.273m</li> </ul>	11.295
<p>Housing Market Renewal Initiative</p> <p>The purpose of HMR grant funding is explained at paragraph 5.1.2. In 2010/11, major scheme spending included:</p> <ul style="list-style-type: none"> <li>➤ Derker residential acquisitions - £1.719m</li> <li>➤ Werneth residential acquisitions - £1.219m</li> <li>➤ Derker commercial acquisitions - £0.626m</li> <li>➤ St Mary's redevelopment - £0.500m</li> <li>➤ Sholver rehousing/demolition - £0.253m</li> </ul>	6.418
Regional Science Centre- relocation of Oldham Sixth Form College science department to Kings Point office building, and the area vacated to be refurbished for additional teaching areas.	6.073
New Deal For Communities Sports Facilities- improvement and development of sports pitches at 3 schools in the NDC area for use by both the schools and community groups.	0.706
Fitton Hill Neighbourhood Centre- the creation of a new library, youth & community accommodation providing sustained and improved service provision.	0.822

## Capital Expenditure - People, Communities and Society Directorate

	£m
Disabled facilities adaptations to private sector homes	1.336
Schools Expenditure	13.998
<p>In overall terms, expenditure on schools projects was £13.998m. Whilst there was a significant number of individual schemes, the major ones were:</p> <ul style="list-style-type: none"> <li>➤ The replacement of Byron Street Infant and Highbarn Junior Schools with a single primary school - £0.773m</li> <li>➤ The alteration and extension of Stanley Road Primary school to increase capacity from one to two form entry - £1.535m</li> <li>➤ The alteration and extension of Freehold Primary school to increase capacity from one to two form entry - £1.087m</li> <li>➤ The extension and remodelling of Greenhill Primary school to increase capacity from one to two form entry - £0.700m</li> <li>➤ The alteration and extension of St Thomas Primary school to increase capacity from one to two form entry - £0.659m</li> <li>➤ The extension, remodelling and refurbishment of Kingfisher special school - £1.884m</li> <li>➤ Primary school support- Drive for all schools to provide the core offer of extended services. This includes wraparound childcare 8am-6pm all year round for primary schools, a varied range of activities including study support activities, parenting and family support, swift and easy access to specialist services like speech therapy and the community use of facilities including adult and family learning and ICT - £0.764m</li> </ul>	

## Capital Expenditure - HRA

	£m
Public Housing Expenditure	11.824
<p>In overall terms, expenditure on public housing was £11.824m. Although there were a number of schemes, major projects included:</p> <ul style="list-style-type: none"> <li>➤ Structural, rewiring and heating improvements on Stanley Road - £0.568m</li> <li>➤ Heating and electrical improvement to Busk Estate - £0.729m</li> <li>➤ Rewiring works to Phase 2 Sholver flats - £0.866m</li> <li>➤ Demolition of Primrose Bank - £0.521m</li> <li>➤ RTB 1 &amp; 2 &amp; Byron Green - £2.329m</li> </ul>	

### 8.8.5 Other Major Programmes of Expenditure

Other major programmes for which expenditure is included within the accounts of the Council include the three Private Finance Initiative (PFI) schemes and one LIFT scheme as follows:

a) Oldham Library and Lifelong Learning Centre

The contract for this project was awarded to Information Resources (Oldham) Ltd, a consortium led by Kier Group Ltd for the construction, maintenance and operation of Information Technology (IT) and Facilities Management (FM) services for 25 years for the Library and Lifelong Learning Centre. Services commenced in February 2006 and opened to the public in April 2006 thus making 2010/11 the sixth year of operation of the contract.

The building and any plant and equipment installed in it will transfer to the Council at the end of the contract period for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractors' outstanding debt attributable to the contract. During 2010/11, there have been no changes to any aspect of the arrangements that are in place.

The Unitary Charge remaining at 31 March 2011 is £65.040m, comprised of repayment of liability (£14.615m), interest (£17.963m) and service charges (£32.462m) being met from Government Grant and Council contributions, with an expiry date of January 2031.

b) Sheltered Housing

The contract for the provision of sheltered and warden-supported properties in the Housing Revenue Account was awarded to Oldham Retirement Housing Partnership Limited (ORHP), a wholly owned subsidiary of Housing 21. It covered demolition, and new build, refurbishment and the provision of management and maintenance services and commenced fully on 19 January 2007. As such, 2010/11 marks the fifth year of the 30 year PFI contract with an expiry date of October 2036.

The dwellings will transfer to the Council at the end of the contract period for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractors' outstanding debt attributable to the contract. During 2010/11, there have been no changes to any aspect of the arrangements that are in place.

The Unitary Charge remaining at 31 March 2011 is £395.802m comprised of repayment of liability (£99.365m), interest (£146.776m) and service charges (£149.661m), the costs being met from Government Grant and other income contributions.

c) Secondary Schools

The contract for the removal of two split site secondary schools at Failsworth and Radclyffe (Chadderton) was awarded to Academy Services for a 25 year period. It also covers the construction and maintenance (including the provision of IT and FM) of two single site 11 – 16 'state of the art' secondary schools for 1,500 pupils which opened in February 2008, thus making 2010/11 the third year of the PFI contract.

The schools and any plant and equipment installed in them will transfer to the Council at the end of the contract period for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractors' outstanding debt attributable to the contract. During 2010/11, there have been no changes to any aspect of the arrangements that are in place.

The Unitary Charge has an expiry date of January 2033. The charge remaining at the 31 March 2011 is £187.594m comprised of repayment of liability (£50.775m), interest (£55.406m) and service charges (£81.413m) and will be met by Government Grant, school budgets, and Council contributions.

d) Chadderton Health and Wellbeing Centre

The financial year 2010/11 marked the second year of the LIFT Lease Plus Agreement (which is similar to a PFI) to build and maintain the Chadderton Health and Wellbeing Centre which incorporates a library, sports centre, café and community rooms. The agreement is with Community First Oldham.

The Council has the option to purchase the Wellbeing Centre for less than the asset's market value and the Council has judged itself reasonably certain to exercise the options and the cost of the eventual purchase has been factored into the Minimum Lease Payment.

The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractors' outstanding debt attributable to the contract. During 2010/11, there have been no changes to any aspect of the arrangements that are in place.

The contract continues until 2039/40 and the charge remaining at the 31 March 2011 is £46.491m comprised of repayment of liability (£8.940m), interest (£24.222m) and service charges (£13.329m) and will be financed by Council contributions.

### 8.8.6 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The usable reserve balance at 31 March 2011 was £114.995m which is made up of the general fund balance, HRA balance, earmarked reserves, capital receipts reserve and capital grants unapplied reserve. These are detailed in note 24.

The unusable reserves balance at 31 March 2011 was £26.369m, made up of the revaluation reserve, pensions reserve, capital adjustment account, financial instrument adjustment account, collection fund adjustment account, short term compensated absences account and deferred capital receipts reserve. These are detailed in Note 25.

### 8.8.7 Balance Sheet

An explanation of the key figures in the Balance Sheet is set out as follows:

#### 8.8.7.1 Assets

a) Property, Plant and Equipment

The net book value of Property, Plant & Equipment decreased substantially during the year from £1,034m to £575m, primarily as a result of the Housing Stock transfer. The opening and closing position by category was as follows:

Category	31 March 2010 £m	31 March 2011 £m
Council Dwellings	425	35
Other Land & Buildings	486	390
Vehicles, Plant & Equipment	11	9
Infrastructure	106	112
Community Assets	4	3
Assets under Construction	2	9
<b>Total Net Book Value</b>	<b>1,034</b>	<b>558</b>

The principal movements during the year are shown in the table below:

<b>Movements in Year</b>	<b>£m</b>
Closing Position at 31 March 2010	1,034
Additions	86
Revaluations	(42)
Disposals	(70)
Transfers (mostly to Assets held for sale)	(1)
Depreciation in year	(27)
Impairment	(405)
<b>Closing Position at 31 March 2011</b>	<b>575</b>

Additions totalled £86m during the year with the major items shown in the following table:

<b>Additions</b>	<b>£000</b>
PFI 2 Sheltered Housing	21.6
Infrastructure	11.3
HMR land and dwellings	7.6
Regional Science Centre land	6.1
Oasis Academy	4.2
Waterhead Academy	3.6
Failsworth Town Hall	2.1
Kingfisher Special School	1.9
Stanley Road Primary School	1.6
Community School	1.2
Other additions less than £1million	24.8
<b>Closing Position at 31 March 2011</b>	<b>86.0</b>

Contracts were signed with Balfour Beatty on 15 December 2010 for the commencement of the BSF construction programme. This includes the refurbished North Chadderton School but expenditure of £6m has been treated as Revenue Expenditure Funded from Capital under Statute (REFCUS) given the status of the school as a Foundation School. Work also commenced on The Blessed John Henry Newman Roman Catholic College, but as this is a PFI project, costs incurred will not normally be recognised until handover. However, given that this is a voluntary aided school outside the control of the Council, the costs will not be recognised at all.

The Council has a rolling programme of valuing its properties and in 2010/11 the programme revealed gains of £22m, with three largest gains arising from the revaluation of the Civic Centre, Henshaw House offices and the Hobson Street car park, each gain approaching £3m.

Derecognition of assets totalled £70m which mainly arose from the change in status of three schools, Radclyffe, Failsworth and Royton & Crompton, to either Foundation or Trust school status during the year. These schools have been derecognised because the Council is no longer the employer of the staff nor has control over the admissions policies. The costs associated with each school are shown below:

<b>School</b>	<b>£m</b>
The Radclyffe School	29.605
Failsworth School	27.672
Royton and Crompton School	6.422
<b>Total Value of Assets Disposed</b>	<b>63.699</b>

The reclassifications of £1m were primarily the tenanted market value of the dwellings and other assets involved in the stock transfer, which, in accordance with the requirements of the 2010 Code, were reclassified as Assets held for Sale. In year depreciation totalled £27m.

The dwellings and other assets involved in the stock transfer were written down to tenanted market value of £1.5m prior to the reclassification of these assets. This gave rise to an impairment charge of £377m of which £30m was offset against previous revaluation gains and £345m was charged to the HRA. The total impairment charge for the Council in 2010/11 was £405m.

Other key elements in this impairment charge were:

- Reduced land values in the Housing Market Renewal Fund programmes in Derker and Werneth resulted in impairment losses of £33m
- There was a net £18m impairment on the PFI 2 sheltered housing project. This was a consequence of the additions arising from the refurbishments undertaken to properties during the year which totalled £21m offset by the impairment of the expenditure to reflect the 48% existing use value for social housing amounting to £11m and a further £7m impairment represents the writing out of old assets that were replaced during the refurbishment programme
- The buildings costs of the five schools that were taken over by the three Academy sponsors were impaired to a sum of £20m. The sponsors took over responsibility for these assets until construction on the new Academies is completed at which point the schools will be demolished prior to sale of the sites

Assets held for sale included the transfer in of the assets associated with the Housing Stock Transfer and their subsequent disposal.

#### Revenue Expenditure Funded from Capital under Statute (REFCUS)

The total expenditure under this category was £19m with the largest item being the remodelling expenditure at North Chadderton school (£6.1m). The two other such charges in excess of £1million were the capitalisation of redundancy costs (£2.3m) and costs associated with the Disabled Facilities programme (£1.3m).

#### b) Investment properties

Investment properties are valued at £18.4m with little movement during the year.

#### c) Intangible Assets

Intangible assets consist of purchased software licences and the balance fell from £4.4m to £4.1m with additions of £0.9m being more than offset by depreciation and impairment of £1.2m.

#### d) Investments

At the end of 2010/11, long term investments had a balance of £12.540m, £5m lower than at the end of 2009/10. This was due to the reclassification of a £5m investment with the Royal Bank of Scotland (RBS) due to expire during July 2011 as a short rather than long term investment.

At the end of 2010/11, short term investments stood at £5m compared to £15m at the end of 2009/10. The £5m is the RBS investment previously mentioned.

e) Cash and Cash Equivalents

Total cash and cash equivalents at 31 March 2011 were £25.711m. This was made up of £4.724m of cash, £32.4m held in current bank accounts offset by £11.413m of bank overdraft. Part of this overall sum was the receipt of £19.1m in the last week of the year, from Partnerships for Schools, in respect of the Building Schools for the Future capital programme. These funds are committed and will be spent on this programme over the next few months.

f) Debtors

The total balance of short term debtors at 31 March 2011 was £58.223m. This has fallen from £76.727m at the end of 2009/10. Part of the change in the overall debtors value was due to the considerable improvement in the Council's cash management activities, even though the year started with Oldham Council in a respectable performance position compared to similar Authorities. Debtors System debtors, the sums owing to the Council on outstanding invoices rendered to other public sector bodies, companies and individuals, fell by £15.546m from £23.671m to £8.125m. This was all the more noteworthy as the level of invoiced transactions actually rose from £73m last year to £85m in 2010/11.

g) Inventories

These have increased by £0.054m in the year to £0.755m, caused largely by an increase in highways salt stock.

### **8.8.7.2 Liabilities**

a) Council Borrowing

The authorised limit for external debt for the Council for 2010/11 was £609.653m. The actual level of outstanding long and short term debt at the year end totalled £157.466m.

At 31 March 2011, the Council had £132.9m of long term borrowing (2009/10 £360.9m), comprising £126.3m of long term loan stock, repayable from 2053 to 2078 and £6.6m of 12.4% Redeemable Loan Stock repayable in 2022. The major change between 2009/10 and 2010/11 was the repayment of £228.0m loans due to the Public Works Loan Board. This is largely explained by the Stock Transfer which took place on 7 February 2011 when the Government repaid £188.570m of HRA related PWLB debt. This is described in more depth in section 6.1.

In addition there was £25.9m (2009/10 £12.1m) of short term borrowing (loans repayable within 12 months) of which £24.0m consisted of short term loans from other Local Authorities at very competitive rates of interest, from 0.8% to 1.1%. The increase of £12.4m short term borrowing was also as a result of the stock transfer, as the Council's approved Treasury Management Strategy was to have maximum flexibility given the impending redemption of PWLB debt so that the Treasury Management position of the Council was optimised.

The Council paid £28.2m (2009/10 £30.9m) of interest and similar charges in year and received £1.514m (2009/10 £3.7m) of interest and investment income. The fall in interest receivable was caused by a lower average level of short term investments in 2010/11 and the lower interest rates prevailing.

b) Creditors

The short term creditors balance at the end of March 2011 was £67.366m.

c) Provisions

Provisions represent amounts set aside to meet potential future liabilities. The total balance of £23.308m is allocated to short-term (£10.133m) and long-term (£13.175m) provisions. The total balance has risen by £13.711m since 31 March 2010, of which the largest item, £11.726m, was a new provision for the costs of the Pay and Reward scheme, under which the terms and conditions of Council staff were harmonised on a single scale.

d) Other Long Term Liabilities

The major two areas are:

PFI and Finance Lease Liabilities – the balance of £176.672m at 31 March 2011 is made up of four elements:

- The outstanding liability relating to the PFI and LIFT schemes totalling £162.498m
- Leases that have been reclassified as implied leases as a result of the introduction of IFRS totalling £2.478
- Other leases for the Civic Centre, heat meters and school equipment totalling £1.550m
- Transferred debt in respect of former Greater Manchester Council services totalling £10.146m

Pensions - the balance at 31 March 2011 is £141.4m which is the Oldham Council share of the liability of the Greater Manchester Pension Fund and is discussed at section 8.6.

### **8.8.7.3 Reserves**

a) **Earmarked Reserves**

At 31 March 2011, the earmarked reserves held by the Council totalled £56.453m, an increase of £4.470m over the balance at 31 March 2010. The major earmarked reserves may be summarised as follows:

Balances held by Schools under a Scheme of Delegation

These totalled £9.299m and relate to individual schools and are not available to the Council for general use

Insurance reserve

The balance of £8.950m reflects an increase of £2.907m based on an assessment of uninsurable risk.

Future Liabilities Reserve (£4.642m) and Efficiency Reserve (£3.600m)

These are both new reserves created during 2010/11. The former has been established to fund liabilities expected to arise due to changes in Government funding and legislation, the latter to provide for costs of implementing the Council's efficiency programme.

The Revenue Grants Reserve

This represents Government grants received which have no conditions attached but have been set aside for specific service use, and totalled £18.020m.

b) **Unusable Reserves**

At 31 March 2011, unusable reserves held by the Council totalled £9.544m and had reduced by £86.010m on an IFRS basis, since 31 March 2010. The major reserves may be summarised as follows:

#### Revaluation Reserve

This reserve holds the accumulated gains on the fixed assets held by the Council arising from increases in value. The balance at 31 March 2011 was £85.724m.

#### Capital Adjustment Account

The balance on this account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed. The balance at 31 March 2011 was £82.367m.

#### Financial Instruments Adjustment Account

This is a reserve account through which the accounting consequences of early redemption of financial instruments are released to the General Fund over the years which remain to the original future redemption date. The balance at 31 March 2011 was a negative £10.768m

#### Pensions Reserve

This was set up in previous years to account for the ongoing additional costs of early retirements approved before 1 April 2006. The negative balance at 31 March 2011 was £141.4m.

#### Short Term Compensated Absences Account

This is a new reserve account under IFRS that accounts for annual leave entitlement carried forward at the year end, which must now be shown separately from the General Fund balance. At the end of the year the balance was a negative £7.246m.

### **8.8.8 Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The key issues to note in relation to the 2010/11 Cash Flow Statement are set out in the following paragraphs.

The net cash flow for the Council was an increase in cash and cash equivalents of £25.466m from £0.245m to £25.711m. In arriving at the net cash flow, the deficit on the provision of services of £185.7m needs to be adjusted by £444.6m of non-cash items that were deducted in arriving at the deficit.

The major cash flow from investing activities includes the purchase of property, plant and equipment and other non-current assets of £93m. Capital grants received totalled £69m, the sale of investments realised £15m and capital receipts totalled £6m giving a net outflow of £3m.

Total cash flows from financing activities were £222m of which the largest item was debt repayment of £244m, primarily because of the stock transfer debt repayment. Debt redemption realised £28m and there were finance lease payments of £6m.

### **8.8.9 Housing Revenue Account (HRA)**

The Council meeting of 23 February 2011, considered and approved a revised HRA budget for 2010/11, and it is against this budget that the HRA outturn is measured. The HRA balance declined by £6.340m in the year, with year end balances reducing to £11.354m. Balances are £6.938m lower than originally estimated due to a voluntary reduction in debt (£2.929m) and the revenue funding of capital works (£4.028m) in preparation for the PFI4 Gateways to Oldham scheme. Other minor variations amounted to a net under-spend of £0.019m.

The HRA balance includes £10.046m of reserves held for the PFI2 Sheltered Housing scheme. This reserve is for meeting future payments under the scheme, which runs until 2036.

The stock transfer had a key impact on the HRA in 2010/11 as at 7 February 2011 the management of approximately 85% of the housing stock and related land and buildings transferred to the newly

created registered provider of social housing (FCHO). The financial implications of this were within the anticipated budget and are dealt with more fully at Note 33.

#### **8.8.10 Collection Fund**

The Collection Fund is maintained separately from the Council's General Fund specifically to record income and expenditure associated with Council Tax and National Non Domestic Rates.

During 2010/11 income of £149.705m was received by the Collection Fund, of which £76.906m was from Council Tax payers, £21.880m from Council Tax benefits and £50.919m from Business Rate payers. Total Collection Fund expenditure was £149.972m leaving a deficit for the year of £0.267m.

At the end of 2010/11, the Collection Fund accumulated balance was therefore £0.766m which is a decrease of £0.267m from the accumulated balance of £1.033m at the end of 2009/10. This is mainly due to redistribution under approved Collection Fund regulations of the previous year's surplus to major preceptors £0.518m, of which Oldham Council's share (£0.455m), was used to support the 2010/11 budget process. More detailed information about the Collection Fund is contained in the Supplementary Statements and Notes C1 to C5.

#### **8.8.11 Group Accounts**

The Group Accounts, shown in the final section of the Financial Statements, provide consolidated financial information for the Council plus any material financial interests in organisations over which the Council has a level of control.

The Code requires the relationship that the Council has with a number of organisations be classified into the categories of subsidiaries, associates and joint ventures.

The following organisations have been consolidated within the Group Accounts:

- First Choice Homes Oldham Limited (FCHO) – consolidated as a subsidiary company until 7 February 2011, the date of stock transfer

FCHO was formed in March 2002 as an "Arms Length Management Organisation". As an ALMO it was a company "limited by guarantee" meaning it had no share capital. The main objectives of FCHO were the delivery of major repairs and improvement to bring Council homes up to the Decent Homes Standard, rent collection, dealing with arrears and debt counselling, maintenance, management of lettings and empty properties. The Council was the sole guarantor of the company in the event of a winding up for an amount of not more than £1.

As at 7 February 2011, FCHO changed status from an ALMO to a registered provider of social housing and the Council no longer had control of the company and as such was removed from the Group Accounts as at 7 February 2011.

- Oldham Education Enterprises Limited (OEE) – consolidated as a subsidiary company

OEE is a company that invests in properties and estates, leasing out such property and providing services for the upkeep and maintenance.

On 2 September 1999 the company entered into an overriding lease with the Council regarding a property in Oldham town centre called Henshaw House. On the same date the company also purchased two other sites from the Council, Roundthorn Road and Harmony Street. On the 30 March 2007 the entire issued share capital of the company was acquired by the Council.

- Unity Partnership Limited (Unity) – consolidated as an associate company

The Unity Partnership (the Council's Strategic Service Delivery Partner), came into being on 1 April 2007 and from May 2007 began delivering services to the Council covering the Council Contact Centre, ICT, Revenues and Benefits services, Highways Management and Engineering, plus Professional Property services. In line with the contractual arrangements that were in place with the Partnership, during 2010/11 there was a transfer of Transactional services, Human Resources/Payroll, Accounts Payable and Receivable and some additional highways management services. The Council has one third of the voting rights in the company

- Meridian Development Company Limited (MDCL)

The Council's shareholding in MDCL is 27.2% of the voting shares and 59.1% of the non voting shares. The company holds a number of properties for development purposes

- Community First Oldham (Chadderton) Limited

The company in which the Council has a 20% shareholding was incorporated on 29 March 2008 and commenced trading on 30 April 2008. The principal activity of the company is the development and property management of a Multi-Purpose Health and Wellbeing Centre in Chadderton. The Centre opened on 26 October 2009.

The Council and its Group had total CIES of £76.850m in 2010/11 compared with £255.298m in 2009/10 and net assets of £119.212m at 31 March 2011 compared to £196.052m at 31 March 2010.

## **9 Receipt of Further Information**

If you would like to receive further information further information about these accounts, please do not hesitate to contact me at the Borough Treasurer's Department, Performance, Services and Capacity Directorate, Oldham Council.

## **10 Acknowledgements**

The production of the Statement of Accounts would not have been possible without the exceptionally hard work of staff across the Council. I would like to express my gratitude to all colleagues, from the finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

**S J Mair BA (Hons) CPFA MBA**  
**Borough Treasurer**

## **2.0 Statements to the Accounts**

### **2.1 Statement of responsibilities for the Statement of Accounts**

#### **2.1.1 The Authority's Responsibilities**

The Authority is required to:

- i. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In Oldham Council, that officer is the Borough Treasurer.
- ii. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- iii. Approve the Statement of Accounts.

#### **2.1.2 The Borough Treasurer's Responsibilities**

The Borough Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Borough Treasurer has:

- i. Selected suitable accounting policies and then applied them consistently;
- ii. Made judgements and estimates that were reasonable and prudent;
- iii. Complied with the Code of Practice on Local Authority Accounting;
- iv. Kept proper accounting records which were up to date;
- v. Taken reasonable steps for the prevention and detection of fraud and other irregularities;

#### **2.1.3 Certification of Accounts**

I certify that the Statement of Accounts gives a true and fair view of the financial position of Oldham Council at 31 March 2011 and its income and expenditure for the year then ended.

Signed

Borough Treasurer, Section 151 Officer.

Dated 28 July 2011

#### **Approval of Accounts**

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was considered by the Audit Committee 28 July 2011, with agreement for delegated responsibility of the Head of Corporate Governance for approval on 29 July 2011.

Signed

Vice Chair of the Audit Committee.

Dated 29 July 2011

## 2.2 Auditor's Statement

### 2.2.1 The Independent Auditor's Report to the Members of Oldham Council

#### Opinion on the Council and Group accounting statements

I have audited the Council and Group accounting statements of Oldham Metropolitan Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Council and Group accounting statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Oldham Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

#### Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Council and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### Opinion on accounting statements

##### In my opinion the accounting statements:

- give a true and fair view of the state of Oldham Metropolitan Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report, for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

## Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

### Council's responsibilities

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Oldham Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## Certificate

I certify that I have completed the audit of the Council and Group accounts of Oldham Metropolitan Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

MARK HEAP

Mark Heap  
Officer of the Audit Commission

Aspinall House, Aspinall Close,  
Middlebrook,  
Horwich,  
Bolton  
BL6 6QQ

29 July 2011

# Core Financial Statements

## 3.0 Core Financial Statements and Explanatory Notes

### 3.1 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (Deficit) on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase / Decrease before Transfers to Earmarked Reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Usable Reserves							Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Usable Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£000	£000	£000	£000			£000	£000	£000
<b>Balance at 31 March 2009 UK GAAP</b>	(12,712)	(28,294)	(13,216)	(4,016)	(617)	-	(58,855)	(244,459)	(303,314)
IFRS adjustments in 2008/09		(14,855)				(5,755)	(20,610)	(125,903)	(146,513)
<b>Balance at 31 March 2009 IFRS Restated</b>	(12,712)	(43,149)	(13,216)	(4,016)	(617)	(5,755)	(79,465)	(370,362)	(449,827)
<b>Movement in reserves during 2009/10</b>									
Surplus or (Deficit) on provision of services	11,605	-	31,648	-	-	-	43,253	-	43,253
Other Comprehensive Income and Expenditure								212,542	212,542
<b>Total Comprehensive Income and Expenditure</b>	<b>11,605</b>	<b>-</b>	<b>31,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,253</b>	<b>212,542</b>	<b>255,795</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(20,449)	-	(36,126)	(935)	617	(5,373)	(62,266)	62,266	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(8,844)</b>	<b>-</b>	<b>(4,478)</b>	<b>(935)</b>	<b>617</b>	<b>(5,373)</b>	<b>(19,013)</b>	<b>274,808</b>	<b>255,795</b>
Transfers to/from Earmarked Reserves (Note 8)	8,834	(8,834)	-						
<b>(Increase)/Decrease in Year</b>	<b>(10)</b>	<b>(8,834)</b>	<b>(4,478)</b>	<b>(935)</b>	<b>617</b>	<b>(5,373)</b>	<b>(19,013)</b>	<b>274,808</b>	<b>255,795</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(12,722)</b>	<b>(51,983)</b>	<b>(17,694)</b>	<b>(4,951)</b>	<b>-</b>	<b>(11,128)</b>	<b>(98,478)</b>	<b>(95,554)</b>	<b>(194,032)</b>
	Usable Reserves							Unusable Reserves	Total Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Usable Capital Receipts	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves		
	£000	£000	£000	£000			£000	£000	£000
<b>Balance at 31 March 2010 IFRS Restated</b>	(12,722)	(51,983)	(17,694)	(4,951)	-	(11,128)	(98,478)	(95,554)	(194,032)
<b>Movement in reserves during 2010/11</b>									
Surplus or (Deficit) on provision of services	(1,685)	-	187,402	-	-	-	185,717	-	185,717
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(115,128)	(115,128)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,685)</b>	<b>-</b>	<b>187,402</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185,717</b>	<b>(115,128)</b>	<b>70,589</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	377	-	(181,062)	(293)	-	(20,160)	(201,138)	201,138	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,308)</b>	<b>-</b>	<b>6,340</b>	<b>(293)</b>	<b>-</b>	<b>(20,160)</b>	<b>(15,421)</b>	<b>86,010</b>	<b>70,589</b>
Transfers to/from Earmarked Reserves (Note 8)	4,470	(4,470)	-	-	-	-	-	-	-
<b>(Increase)/Decrease in Year</b>	<b>3,162</b>	<b>(4,470)</b>	<b>6,340</b>	<b>(293)</b>	<b>-</b>	<b>(20,160)</b>	<b>(15,421)</b>	<b>86,010</b>	<b>70,589</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(9,560)</b>	<b>(56,453)</b>	<b>(11,354)</b>	<b>(5,244)</b>	<b>-</b>	<b>(31,288)</b>	<b>(113,899)</b>	<b>(9,544)</b>	<b>(123,443)</b>

### 3.2 Comprehensive Income and Expenditure Statement

2009/10 Gross Expend. £000	2009/10 Gross Income £000	2009/10 Net Expend. £000		Note	2010/11 Gross Expend. £000	2010/11 Gross Income £000	2010/11 Net Expend. £000
97,533	(33,277)	64,256	Adult Social Care		99,008	(32,014)	66,994
59,471	(40,787)	18,684	Central Services		49,891	(32,536)	17,355
5,106	(407)	4,699	Corporate and Democratic Core		6,186	-	6,186
306,458	(245,450)	61,008	Children's and Education Services		346,569	(252,454)	94,115
57,122	(26,944)	30,178	Cultural, Environmental and Planning Services		59,266	(18,821)	40,445
-	-	-	Exceptional Costs - HRA-LSVT	53	346,450	(207,664)	138,786
-	-	-	Exceptional Costs - EUV-SH Adjustment	53	32,449	-	32,449
-	-	-	Exceptional Costs - Pension inflation change	53	(87,300)	-	(87,300)
22,968	(11,429)	11,539	Highways, Roads and Transport Services		22,290	(5,108)	17,182
85,033	(67,155)	17,878	Local Authority Housing (HRA)		33,798	(50,590)	(16,792)
82,577	(66,934)	15,643	Other Housing Services		128,030	(104,953)	23,077
16,815	-	16,815	Non Distributed Costs		2,184	-	2,184
<b>733,083</b>	<b>(492,383)</b>	<b>240,700</b>	<b>Cost Of Services</b>	<b>29</b>	<b>1,038,821</b>	<b>(704,140)</b>	<b>334,681</b>
		<b>32,880</b>	<b>Other Operating Expenditure</b>	<b>9</b>			<b>86,200</b>
		<b>38,458</b>	<b>Financing and Investment Income and Expenditure</b>	<b>10</b>			<b>75,855</b>
		<b>(268,785)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>11</b>			<b>(311,020)</b>
		<b>43,253</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>29</b>			<b>185,716</b>
			<b>Other Comprehensive Income and Expenditure</b>				
		<b>(2,358)</b>	Revaluation (gains)/losses				<b>21,882</b>
		<b>214,900</b>	Actuarial (gains)/losses on pension assets/liabilities				<b>(137,000)</b>
		<b>255,795</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>70,598</b>

### 3.3 Balance Sheet

31 March 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
1,048,130	1,033,733	Property, Plant & Equipment	13	557,812
17,172	18,048	Investment Property	14	18,378
4,924	4,412	Intangible Assets	15	4,113
14,199	17,623	Long Term Investments	16	12,540
13,910	9,127	Long Term Debtors	16	8,910
<b>1,098,335</b>	<b>1,082,943</b>	<b>Long Term Assets</b>		<b>601,753</b>
50,143	15,318	Short Term Investments	16	5,154
1,681	701	Inventories	17	755
69,732	76,727	Short Term Debtors	19	58,223
19,974	245	Cash and Cash Equivalents	20	25,711
1,353	351	Assets held for sale (<1yr)	21	163
<b>142,883</b>	<b>93,342</b>	<b>Current Assets</b>		<b>90,006</b>
(48,738)	(16,385)	Short Term Borrowing	16	(25,927)
(78,863)	(75,213)	Short Term Creditors	22	(67,366)
(3,239)	(4,216)	Provisions	23	(10,133)
(6,604)	(6,842)	Short Term Liabilities	12	(6,371)
<b>(137,444)</b>	<b>(102,656)</b>	<b>Current Liabilities</b>		<b>(109,797)</b>
(9,526)	(5,381)	Provisions	23	(13,175)
(396,383)	(360,863)	Long Term Borrowing	16	(132,865)
(248,038)	(513,353)	Other Long Term Liabilities	12	(311,760)
-	-	Capital Grants Receipts in Advance	39	(719)
<b>(653,947)</b>	<b>(879,597)</b>	<b>Long Term Liabilities</b>		<b>(458,519)</b>
<b>449,827</b>	<b>194,032</b>	<b>Net Assets</b>		<b>123,443</b>
(79,465)	(98,478)	Usable Reserves	24	(113,899)
(370,362)	(95,554)	Unusable Reserves	25	(9,544)
<b>(449,827)</b>	<b>(194,032)</b>	<b>Total Reserves</b>		<b>(123,443)</b>

### 3.4 Cashflow Statement

2009/10 £000		Note	2010/11 £000
(43,253)	Net surplus or (deficit) on the provision of services		(185,716)
126,089	Adjustment to surplus or deficit on the provision of services for noncash movements		444,553
(38,740)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(8,184)
<b>44,096</b>	Net Cash flows from operating activities		<b>250,653</b>
7,409	Net Cash flows from Investing Activities	27	(3,291)
(71,227)	Net Cash flows from Financing Activities	28	(221,896)
<b>(19,722)</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>25,466</b>
19,967	Cash and cash equivalents at the beginning of the reporting period		245
<b>245</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>25,711</b>

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## 3.6 Explanatory Notes to the Core Financial Statements

### Introduction

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code) and the accounting policies set out at Note 1. The notes that follow (1 to 53) set out supplementary information to assist readers of the accounts.

## 1. Accounting Policies

### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### 1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **1.4 Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **1.6 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **1.7 Employee Benefits**

##### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following

accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Greater Manchester Local Government Pensions Scheme, administered by Tameside Metropolitan Borough Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### **The Greater Manchester Local Government Pension Scheme**

The Greater Manchester Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond (iBoxx Sterling Corporate AA over 15 year Index)).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components:

**current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

**past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

**contributions paid to the Greater Manchester pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 1.8 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

### Adjusting Events

those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

### Non-adjusting Events

those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 1.9 Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in full in the year that the grant is received. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **1.10 Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### **Business Improvement Districts**

A Business Improvement District (BID) scheme applies across Oldham town centre. The scheme is funded by a BID levy paid by town centre non-domestic ratepayers. The Council acts

as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

### **1.11 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **1.12 Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **1.13 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First Out costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 1.15 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## 1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Council as Lessee**

#### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a

liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

## **The Council as Lessor**

### **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund

Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **1.17 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **1.18 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

## **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Components have been recognised in the financial year 2010/11 where:

- there has been a revaluation of assets
- there has been an acquisition of assets within the financial year
- enhancement expenditure has been incurred within the financial year

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

## Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

Assets held for Sale Assets are assets where the:

- asset is immediately available for sale
- sale is highly probable
- asset is actively marketed
- sale is expected to be complete within 12 months

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets Held for Sale financial assets are shown at fair value at each reporting date. Any impairment is recognised in the income statement. Fair value is the amount a knowledgeable and willing third party would exchange for the asset. Fair value is established by reference to a number of factors including the investments' profitability, cash flows, assets and general market conditions. Assets Held for Sale financial assets are not depreciated.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Council's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## Investment Properties

The Council accounts for investment properties in accordance with IAS 40 'Investment Properties'. An investment property is one held to either earn rental income or for capital growth. The Council has used the fair value model and therefore investment properties are initially recognised at cost and then revalued to fair value at the reporting date by an Internal Property Valuer. Investment properties are not depreciated. Gains or losses in fair value of investment properties are recognised in the income statement for the period in which they arise. Gains or losses on disposal of an investment property are recognised in the income statement on completion. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

### 1.19 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Schools PFI, the liability was written down by an initial capital contribution of £2m.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

Finance cost – an interest charge is raised on the outstanding Balance Sheet liability and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The interest rate is calculated for each scheme so that the Balance Sheet liability is zero at the end of each contract. The interest rates applicable to the Council's PFI schemes range from 6.5% to 9.3%.

Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

Lifecycle replacement costs – are split between revenue and capital costs. Revenue Lifecycle costs are debited to the relevant service in the Comprehensive Income and Expenditure Statement. Capital lifecycle costs are debited to Property Plant and Equipment to reflect the enhancement of the PFI Asset.

## 1.20 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the

Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **1.22 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset that has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **1.23 VAT**

Value Added Tax payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs and therefore charged to revenue or capital expenditure as appropriate. VAT receivable is excluded from income.

## **2. Accounting Standards that have been Issued but not Adopted**

### **Heritage Assets: Impact of the adoption of the new standard on the 2011/12 financial statements**

The Code of Practice on Local Council Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new heritage assets standard that been issued but is not yet required to be adopted. Full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the Council's Gallery Oldham. The four principal collections of heritage assets held in the Gallery include:

- ceramics, porcelain work and figurines
- the art collection
- pottery, machinery and ephemera and
- photographs, books and manuscripts.

In addition the Council has a fixed asset, Foxdenton Hall, which is held for cultural purposes and is classified as operational land and buildings within Property, Plant and Equipment in the Balance Sheet.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the Council is able to recognise more of its collections of heritage assets in the Balance Sheet. The Council anticipates that it will be able to recognise its art collection and civic regalia on the Balance Sheet using as its base the detailed insurance valuations (which are based on market values) held by the Council in respect of the collection. The Council is unlikely to be able to recognise the majority of the ceramics, porcelain work, figurines, pottery, machinery, ephemera, photography, books and manuscripts in future financial statements as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

Foxdenton Hall is currently included on the Council's Balance Sheet as operational land and building assets (at cost) within Property, Plant and Equipment valued at 1 April 2010 at £0.18m.

The Council also holds information on the value of the art collection assets (for insurance purposes) supplied by an internal valuer (the Council holds two paintings by William Orpen and one by each of J W Waterhouse, Stanhope Forbes and A J Munnings which have values at £1 million or above).

The Council estimates that the value of the art collection, from its insurance records, is £18.7m as at 1 April 2010. The art collection is held in Gallery Oldham. The civic regalia is currently insured for a value of £0.677m and is held in the Civic Centre. It is estimated therefore that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 (under the requirements of the 2011/12 Code) will be £19.6m. This will result in a total revaluation gain recognised in the Revaluation Reserve of £19.4m.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

### **3. Critical Judgements in Applying Accounting Policies**

The following are significant management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 4.

#### **Leases**

In applying the classification of leases in IAS 17, the Council considers its leases of some equipment as well as two schools facilities as finance lease arrangements. These leases were previously assessed as operating leases under UK GAAP. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

#### **Arrangements that contain a lease - Implied leasing**

In applying the classification of implied leasing the authority has assessed three of its outsourced contracts. The IT services contract with the partner Unity has been considered to be an operating lease as it provides IT services and desktop IT equipment which would not be included in the Council's balance sheet.

The Council also has a service contract for printing services with Unity. This covers the multifunction devices used for copying and printing. Due to the economic life of these assets and their value, these assets have been considered to be an implied lease.

The Council also has a contract for a number of high value fleet vehicles which it considers to be an implied lease. This is a contract hire agreement for 5 years in which the vehicles are used solely by Oldham Council and the Oldham Council logo is displayed on the vehicles.

#### **PFI Arrangements**

PFI arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. Also the future RPI increase within the contracts has been estimated as remaining constant throughout the period of the contract.

#### **Investment properties**

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

#### **Group boundaries**

The group boundaries have been estimated using the criteria associated with the IFRS code of practice. The Council has used these criteria to estimate the companies that it considers are within the group boundaries.

#### **Provisions**

The Council has estimated its short term insurance provisions based on the value of claims settled in previous years. Other short term provisions represent amounts calculated and expected to be paid within the next 12 months.

### **4. Assumptions made about the Future and Other Major Sources of Estimation Uncertainty**

#### **Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual charge for buildings would increase.

#### **Debt Impairment**

At 31 March 2011 the authority had a balance of debtors of £73.509m. A review of significant balances suggested that an impairment of doubtful debts of £15.117m was appropriate. However, in the current climate it is not certain such an allowance would be sufficient. If collection rates were to deteriorate an increase in the amount of the impairment of the doubtful debts would be required.

#### **Pensions**

The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

During 2010/11 the Council's actuaries advised that the net pensions liability had reduced by £216.9m made up of:

£136.9m actuarial gain;  
£87.3m gain from the change in valuation basis from RPI to CPI; and  
£7.3m loss from updating of the assumptions.

## 5. Material Items of Income and Expenditure

The Council considers material items to be those greater than £6m.

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement they are detailed below.

	2010/11 £000
<b>Material Items of Expenditure</b>	
Derecognition of Radclyffe School	29,605
Derecognition of Failsworth School	27,672
Derecognition of Royton and Crompton School	6,422
Termination Benefits Payable	8,426
Pay and Reward Contribution to Provisions	11,726

All of the above contributions are incorporated within the relevant services in the Income and Expenditure Account.

Details of those included in the table above are as follows:

- The Governors of Royton & Crompton School elected for Foundation status in September 2010 and the Governors of Failsworth and Radclyffe schools acquired Trust status in April 2010 and May 2010 respectively. The staff at Foundation and Trust schools are not employees of the Council and the Council is not responsible for the admissions policy so the Council has derecognised these schools.
- Termination Benefits - The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £8,426k. (see Note 46)
- Pay and Reward Contribution to Provisions – The Council has made a contribution to Provisions to cover the cost of the implementation of the new pay and grading structure from 1 January 2011.

## 6. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Borough Treasurer on 19 May 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Council's overall financial position but do not relate to conditions at 31 March 2011.

It has been agreed that there are two non adjusting events and two adjusting events after the reporting period and these are:

## **Non-Adjusting Events**

- The signing of the Street Lighting PFI contract on 19 April 2011. As this is a joint project with Rochdale Council, it will also be included as an event after the reporting period in the accounts of Rochdale Council.
- The formal creation of the Greater Manchester Combined Authority (GMCA) on 1 April 2011 which took over some of the transport and economic development functions previously undertaken by the Council.

## **Adjusting Events**

- The Housing Revenue Account (Accounting Practices) Directions were issued by the Department for Communities and Local Government on 19 May 2011. The Directions required the Council to value its Housing Stock using a different discount factor (35%, previously 48%). This has been treated as an exceptional item in the Comprehensive Income and Expenditure Statement. More details can be found in Note 53, Exceptional Items. This represents an Adjusting Event and the Council's Financial Statements and Notes to the Financial Statements have been adjusted to reflect this change.
- HMRC have now agreed that the VAT arising from the LSVT should be offset. The debtor and creditor figures have therefore been amended to remove this from the balances.

## **7. Adjustments between Accounting Basis and Funding Basis under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(52,666)	(380,424)				433,090
Revaluation losses through Property, Plant and Equipment	(41,594)	(647)				42,241
Movements in the market value of Investment Properties	337					(337)
Amortisation of intangible assets	(82)					82
Capital grants and contributions applied	44,507					(44,507)
Movements in the Donated Assets Account						
Revenue expenditure funded from capital under statute	(17,216)	(1,519)				18,735
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(63,792)	(2,233)				66,025
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	7,278					(7,278)
Voluntary revenue provision for Capital Financing	8,549	2,351				(10,900)
Large Scale Volunatry Transfer Debt set aside		185,262				(185,262)
Capital expenditure charged against the General Fund and HRA balances	2,945	3,450				(6,395)

2010/11	Usable Reserves					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	29,021				(29,021)	
Application of grants to capital financing transferred to the Capital Adjustment Account					8,861	(8,861)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,502	2,910	(6,412)			
Use of the Capital Receipts Reserve to finance new capital expenditure			5,145			(5,145)
Contribution from the Capital Receipts Reserve to finance the payments towards administrative costs of non-current asset disposals		(17)	17			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(957)		957			
Transfer from Deferred Capital Receipts reserve upon receipt of cash						
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	235					(235)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		6,784		(6,784)		
Use of Major repairs reserve to finance new capital expenditure				6,784		(6,784)

2010/11	Usable Reserves					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,093	3,021				(4,114)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 48)	58,900					(58,900)
Employer's pension contributions and direct payments to pensioners payable in the year	21,000					(21,000)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(236)					236
<b>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(447)					447
<b>Total Adjustments</b>	<b>377</b>	<b>(181,062)</b>	<b>(293)</b>	<b>-</b>	<b>(20,160)</b>	<b>201,138</b>

2009/10 Comparative Figures	Usable Reserves					Movements in Unusable Reserves £000
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
Prior Year IFRS Adjustments	5,529					(5,529)
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	(44,083)	(41,852)		(307)		86,242
Revaluation losses through Property, Plant and Equipment						
Movements in the market value of Investment Properties	(260)					260
Amortisation of intangible assets	(1,056)					1,056
Capital grants and contributions applied	16,757	80				(16,837)
Movements in the Donated Assets Account						
Revenue expenditure funded from capital under statute	(9,153)					9,153
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,938)	(480)				2,418
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	12,910	2,943				(15,853)
Capital expenditure charged against the General Fund and HRA balances	879					(879)

2009/10 Comparative Figures	Usable Reserves					Movements in Unusable Reserves
	General Fund Balance	Housing Revenue Account (HRA)	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	5,373				(5,373)	
Application of grants to capital financing transferred to the Capital Adjustment Account						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,758	(1,758)				
Use of the Capital Receipts Reserve to finance new capital expenditure			1,887			(1,887)
Contribution from the Capital Receipts Reserve to finance the payments towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		(642)	642			
Transfer from Deferred Capital Receipts reserve upon receipt of cash						
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,096	1,368	(3,464)			
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA						
Use of Major repairs reserve to finance new capital expenditure	(924)			924		

2009/10 Comparative Figures	Usable Reserves					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(825)	4,215				(3,390)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 48)	(25,600)					25,600
Employer's pension contributions and direct payments to pensioners payable in the year	19,100					(19,100)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(932)					932
<b>Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements	(80)					80
<b>Total Adjustments</b>	<b>(20,449)</b>	<b>(36,126)</b>	<b>(935)</b>	<b>617</b>	<b>(5,373)</b>	<b>62,266</b>

## 8. Transfers To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 1 April 2009 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance 31 March 2011 £000
<b>General Fund</b>							
Balances held by schools under a scheme of delegation	(7,617)	759	-	(6,858)	1,550	(3,991)	(9,299)
BSF Reserve	(36)	-	(182)	(218)	-	(799)	(1,017)
Safeguarding Reserve	(328)	328	-	-	-	-	-
Maintenance & Improvement Reserve	(366)	366	-	-	-	-	-
Beal Valley Reserve	(200)	-	-	(200)	200	-	-
Beal Valley Compensation Reserve	(875)	-	(125)	(1,000)	1,000	-	-
Manchester Airport Dividend Reserve	(333)	81	-	(252)	252	-	-
Insurance Reserve	(4,886)	1,385	(2,542)	(6,043)	-	(2,907)	(8,950)
Investment Opportunities Reserve	(500)	500	-	-	-	-	-
Pay and Reward Reserve	(3,300)	-	(2,000)	(5,300)	5,300	-	-
Pension Reserve	(1,784)	897	-	(887)	887	-	-
LPSA Reward Grant	(2,212)	1,200	(1,703)	(2,715)	1,498	-	(1,217)
Area Based Grant Reserve	(2,189)	-	-	(2,189)	2,188	(666)	(667)
Budget Reserve	(1,430)	1,330	-	(100)	100	(2,674)	(2,674)
Economy, Place & Skills Reserve	(564)	564	-	-	-	-	-
Performance, Services & Capacity Reserve	(1,420)	1,420	(145)	(145)	145	-	-
Special Projects Reserve	-	-	(4,100)	(4,100)	1,669	(638)	(3,069)
Waste Smoothing Levy Reserve	-	-	(1,108)	(1,108)	-	(821)	(1,929)
Winter Maintenance Reserve	-	-	(350)	(350)	-	-	(350)
Children's Reserve	-	-	(300)	(300)	-	(100)	(400)
Priority Investment Fund Reserve	-	-	(1,276)	(1,276)	1,276	-	-
District Partnerships Reserve	-	-	(369)	(369)	369	(365)	(365)
Partnership Reserve	-	-	(413)	(413)	200	(41)	(254)
Other Minor Earmarked Reserves	(255)	-	-	(255)	255	-	-
Future Liabilities Reserve	-	-	-	-	-	(4,642)	(4,642)
Efficiency Reserve	-	-	-	-	-	(3,600)	(3,600)
Revenue Grants Reserve	(14,854)	14,854	(17,905)	(17,905)	17,905	(18,020)	(18,020)
<b>Total</b>	<b>(43,149)</b>	<b>23,684</b>	<b>(32,518)</b>	<b>(51,983)</b>	<b>34,794</b>	<b>(39,264)</b>	<b>(56,453)</b>

**Balances Held by Schools Under a Scheme of Delegation** are detailed in Note 38.

The **BSF Reserve** being the cumulative balance to date, carried forward to meet the commitments of the BSF programme in future years.

The **Safeguarding Reserve** was fully utilised during 2009/10.

The **Maintenance and Improvement Reserve** was fully utilised during 2009/10.

The **Beal Valley Reserve** opening balance represented instalments still to be paid. This reserve has all been utilised in year.

The **Beal Valley Compensation Reserve** provides for the cost of reimbursing the developer for additional operating expenses in the extra years consequential to the Deed of Variation. As the contract is now signed this reserve has been transferred to provisions

The **Manchester Airport Dividend Reserve** represents the value of previous uncommitted dividend receipts and has been utilised in year as agreed at the 2011/12 budget setting meeting of the Council.

The **Insurance Reserve** has been established in order to finance costs (e.g. claims and premium payments) associated with insurable risk. In addition to maintaining an Insurance Fund the Authority has established an Insurance Reserve to meet expenditure relating to various types of claim which are not covered by the Insurance Fund.

The **Investment Opportunities Reserve** was fully utilised during 2009/10.

The **Pay and Reward Reserve** had been set up to provide for the future increase in payroll costs resulting from the implementation of the Job Evaluation project. As this project is now complete the reserve has been transferred to provisions.

The **Pensions Reserve** was set up to fund the ongoing additional costs of early retirements approved prior to 2006/07. The accumulated balance has been funded by charging Directorates a proportion of the costs of their early retirements which will be written back to the accounts as the amounts become payable to the pension fund. This has been fully utilised in year.

The **Local Public Service Agreement (LPSA) Reward Grant** represents the sum awarded to the Council as an incentive by the DCLG as a result of hitting targets included in the LPSA.

The **Area Based Grant Reserve** represents the amount of grant which was unspent at 31 March 2011. The balance will be fully expended during 2011/12.

The **Budget Reserve** has been provided to fund specific revenue expenditure items in 2011/12 as part of the financial strategy of the Council.

The **Economy Place and Skills Reserve** was provided to fund Directorate Specific expenditure in 2009/10.

The **Performance Services and Capacity Reserve** was provided to fund Directorate Specific expenditure in 2009/10 and 2010/11.

The **Special Projects Reserve** represents sums set aside to fund various invest to save and performance improvement initiatives.

The **Waste Smoothing Levy Reserve** represents sums set aside to cover the increased levy in future years resulting from the Greater Manchester Waste Disposal Authority's Private Finance Initiative.

The **Winter Maintenance Reserve** represents sums set aside to cover the cost of winter maintenance of Oldham's roads due to unforeseen extreme adverse weather conditions.

The **Children's Reserve** represents sums set aside to ensure if numbers of looked-after children increase adequate funding is available.

The **Priority Investment Fund Reserve** is to fund specific investment projects which have been identified as a priority. This has all been utilised in year.

The **District Partnership Reserve** represents sums set aside to finance projects agreed by the six District Partnerships.

The **Partnership Reserve** has been created after a partnership governance risk assessment was carried out. The outcome of which was reported to the Audit Committee in March 2010. This assessment highlighted instances within partnership arrangements whereby the Council could incur additional costs. This reserve has been established to fund these costs and the risk assessment together with this reserve will be reviewed regularly.

The **Future Liabilities Reserve** has been established to fund a number of liabilities which are expected to arise due to changes in Central Government funding and legislation.

The **Efficiency Reserve** has been established to provide for any exceptional costs of implementing the Council's budget requirements.

The **Revenue Grants Reserve** represents income from Government Grants received which have no conditions attached but which have been set aside for use in providing specific services.

## 9. Other Operating Expenditure

2009/10 £000		2010/11 £000
269	Parish Council precepts	271
642	Payment of Housing Capital Receipts to Government Pool	957
7,338	(Gains)/losses on the disposal of non-current assets	59,394
24,631	Levies	25,578
<b>32,880</b>	<b>Total</b>	<b>86,200</b>

## 10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
31,396	Interest payable and similar charges	69,244
11,800	Pensions increase cost and expected return on pensions assets	7,900
(2,691)	Interest receivable and similar income	(1,684)
(1,048)	Income and expenditure in relation to investment properties and changes in their fair value	1,395
(1,000)	Other Investment Income	(1,000)
<b>38,458</b>	<b>Total</b>	<b>75,855</b>

## 11. Taxation and Non Specific Grant Income

The Council raises Council Tax and receives grants from central government each year to support revenue expenditures which are not attributable to specific services. The grants and Council Tax received for 2010/11 were:

2009/10 £000		2010/11 £000
(83,848)	Council tax income	(85,422)
(95,493)	Non domestic rates	(106,179)
	Non-ringfenced Government Grants:	
(22,041)	Revenue Support Grant (RSG)	(15,418)
(19,502)	Area Based Grant (ABG)	(24,824)
	Capital Grants and Contributions	
(5,733)	Private Finance Initiative (PFI)	(5,626)
(42,168)	Other Capital Grants and Contributions	(73,551)
<b>(268,785)</b>	<b>Total</b>	<b>(311,020)</b>

## 12. Other Long Term Liabilities

	Long Term £000	Current £000	Total £000
<b>2010/11</b>			
Pension Liability	141,400	-	141,400
PFI	158,459	4,039	162,498
Finance Leases	2,381	1,647	4,028
Transferred Debt	9,461	685	10,146
Deferred Credits	59	-	59
<b>Total</b>	<b>311,760</b>	<b>6,371</b>	<b>318,131</b>
<b>2009/10</b>			
Pension Liability	358,300	-	358,300
PFI	140,944	4,064	145,008
Finance Leases	3,894	2,142	6,036
Transferred Debt	10,136	636	10,772
Deferred Credits	79	-	79
<b>Total</b>	<b>513,353</b>	<b>6,842</b>	<b>520,195</b>
<b>2008/09</b>			
Pension Liability	136,900	-	136,900
PFI	96,813	4,114	100,927
Finance Leases	4,851	1,974	6,825
Transferred Debt	9,357	516	9,873
Deferred Credits	117	-	117
<b>Total</b>	<b>248,038</b>	<b>6,604</b>	<b>254,642</b>

### 13. Property, Plant and Equipment

#### Movements on Balances

	Property, Plant & Equipment							
	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000
<b>Cost or Valuation</b>								
At 1 April 2010	506,293	546,913	17,578	151,277	-	4,808	1,673	1,228,542
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-
Adjusted 1 April 2010 balance	<b>506,293</b>	<b>546,913</b>	<b>17,578</b>	<b>151,277</b>	-	<b>4,808</b>	<b>1,673</b>	<b>1,228,542</b>
Additions	29,324	34,830	2,369	11,295	-	119	8,019	85,956
Revaluation								
Increases/(decreases) to Revaluation Reserve	(30,800)	10,939	-	-	-	-	-	(19,861)
Revaluation								
Increases/(decreases) recognised in the Surplus/Deficit on the provisions of service	(610)	(41,631)	-	-	-	-	-	(42,241)
Derecognition-Disposals	(422)	(69,978)	-	-	-	-	-	(70,400)
Reclassified to/from Held for Sale	(370,093)	(7,591)	-	-	50	(37)	(587)	(378,258)
Other Reclassifications	273	945	-	-	-	(1,164)	-	54
<b>At 31 March 2011</b>	<b>133,965</b>	<b>474,427</b>	<b>19,947</b>	<b>162,572</b>	<b>50</b>	<b>3,726</b>	<b>9,105</b>	<b>803,792</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	80,999	60,961	6,561	45,893	-	395	-	194,809
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-
Adjusted 1 April 2010 balance	<b>80,999</b>	<b>60,961</b>	<b>6,561</b>	<b>45,893</b>	-	<b>395</b>	-	<b>194,809</b>
Depreciation Charge	2,053	15,721	4,476	4,790	-	41	-	27,081
Depreciation written out on revaluation	(537)	(8,149)	-	-	-	-	-	(8,686)
Impairment losses/reversals to Revaluation Reserve	5,312	5,447	-	-	-	-	-	10,759
Impairment losses/reversals in the provision of services	380,013	23,953	15	163	-	119	587	404,850
Derecognition-Disposals	(71)	(6,152)	-	-	-	-	-	(6,223)
Derecognitions-Other	-	-	-	-	-	-	-	-
Eliminated on reclassification to Held for Sale	(368,594)	(7,392)	-	-	-	(37)	(587)	(376,610)
Reclassifications	30	123	-	-	-	(153)	-	-
<b>At 31 March 2011</b>	<b>99,205</b>	<b>84,512</b>	<b>11,052</b>	<b>50,846</b>	-	<b>365</b>	-	<b>245,980</b>
<b>Net Book Value</b>								
At 31 March 2011	<b>34,760</b>	<b>389,915</b>	<b>8,895</b>	<b>111,726</b>	<b>50</b>	<b>3,361</b>	<b>9,105</b>	<b>557,812</b>
At 31 March 2010	<b>425,294</b>	<b>485,952</b>	<b>11,017</b>	<b>105,384</b>	-	<b>4,413</b>	<b>1,673</b>	<b>1,033,733</b>

## Comparative Movements in 2009/10

	Property, Plant & Equipment							
	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Community Assets £000	PP&E Under Construction £000	Total PP&E £000
<b>Cost or Valuation</b>								
At 1 April 2009	457,911	509,995	15,043	144,012	-	5,494	3,240	1,135,695
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-
Adjusted 1 April 2009 balance	<b>457,911</b>	<b>509,995</b>	<b>15,043</b>	<b>144,012</b>	-	<b>5,494</b>	<b>3,240</b>	<b>1,135,695</b>
Additions	49,059	33,267	2,535	7,265	-	139	1,673	93,938
Revaluation								
Increases/(decreases) to Revaluation Reserve	223	7,860	-	-	-	-	-	8,083
Derecognition-Disposals	(696)	(5,866)	-	-	-	(825)	-	(7,387)
Other derecognitions	-	(2,019)	-	-	-	-	-	(2,019)
Reclassified to/from Held for Sale	(204)	436	-	-	-	-	-	232
Other Reclassifications	-	3,240	-	-	-	-	(3,240)	-
<b>At 31 March 2010</b>	<b>506,293</b>	<b>546,913</b>	<b>17,578</b>	<b>151,277</b>	-	<b>4,808</b>	<b>1,673</b>	<b>1,228,542</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2009	23,486	19,645	3,751	40,453	-	230	-	87,565
Adjustments between cost/value & depreciation/impairment	-	-	-	-	-	-	-	-
Adjusted 1 April 2009 balance	<b>23,486</b>	<b>19,645</b>	<b>3,751</b>	<b>40,453</b>	-	<b>230</b>	-	<b>87,565</b>
Depreciation Charge	7,823	13,599	2,787	4,504	-	69	-	28,782
Depreciation written out to the revaluation	(1,880)	(5,122)	-	-	-	-	-	(7,002)
Impairment losses/reversals to Revaluation Reserve	9,520	9,037	23	936	-	96	-	19,612
Impairment losses/reversals in the provision of services	42,059	26,176	-	-	-	-	-	68,235
Derecognition-Disposals	(9)	(355)	-	-	-	-	-	(364)
Other derecognitions	-	(2,019)	-	-	-	-	-	(2,019)
<b>At 31 March 2010</b>	<b>80,999</b>	<b>60,961</b>	<b>6,561</b>	<b>45,893</b>	-	<b>395</b>	-	<b>194,809</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>425,294</b>	<b>485,952</b>	<b>11,017</b>	<b>105,384</b>	-	<b>4,413</b>	<b>1,673</b>	<b>1,033,733</b>
<b>At 31 March 2009</b>	<b>434,425</b>	<b>490,350</b>	<b>11,292</b>	<b>103,559</b>	-	<b>5,264</b>	<b>3,240</b>	<b>1,048,130</b>

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	50 years
Other Land and Buildings	up to 50 years
Vehicles, Plant, Furniture and Equipment	3-10 years
Infrastructure	40 years

### Capital Commitments

At 31 March 2011 the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment which in 2011/12 and 2012/13 is budgeted to cost £72.9m. Similar commitments at 31 March 2010 were £3.0m. The major commitments are:

	2011/12 £000	2012/13 £000
BSF and Academies programme:		
North Chadderton	12,607	5,579
Oasis Academy	17,269	3,953
Waterhead Academy	16,574	6,852
Kingfisher Remodelling	1,560	36
Stoneleigh Remodelling & Refurbishment	1,061	21
Mayfield Remodelling & Refurbishment	1,324	32
Sacred Heart / Our Lady's	600	0
Metrolink	2,500	2,500
Fitton Hill Neighbourhood Centre	906	0
<b>Total</b>	<b>54,401</b>	<b>18,973</b>

### Effects of Changes in Estimates

In 2010/11 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Unity Partnership. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The effective date of each revaluation is the date that the revaluation was produced.

The significant assumptions applied in estimating the fair values are:

- that good title can be shown and all valid planning permissions and statutory approvals are in place;
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- that an inspection of those parts not inspected would not reveal defects that would affect the valuation
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter;
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Surplus Assets £000	Community Assets £000	Assets under Construction £000	Total £000
Carried at historical cost	-	632	19,947	162,572	-	3,726	9,105	195,982
Valued at fair value as at:								
2010/11	133,584	110,730	-	-	50	-	-	244,364
2009/10	-	91,525	-	-	-	-	-	91,525
2008/09	381	196,409	-	-	-	-	-	196,790
2007/08	-	23,431	-	-	-	-	-	23,431
2006/07	-	50,699	-	-	-	-	-	50,699
2005/06	-	1,001	-	-	-	-	-	1,001
<b>Total Cost or Valuation</b>	<b>133,965</b>	<b>474,427</b>	<b>19,947</b>	<b>162,572</b>	<b>50</b>	<b>3,726</b>	<b>9,105</b>	<b>803,792</b>

#### 14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Rental income from investment property	2,498	2,634
Direct operating expenses arising from investment property	(1,566)	(2,049)
<b>Net gain/(loss)</b>	<b>932</b>	<b>585</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000	2010/11 £000
Balance at 1 April	17,172	18,048
Additions:		
purchases	-	33
construction	-	-
subsequent expenditure	-	-
Disposals:		
Net gains/(losses) from fair value adjustments	-	-
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	585	-
Other changes	291	297
<b>Balance at 31 March</b>	<b>18,048</b>	<b>18,378</b>

## 15. Intangible Assets

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets covers purchased licences only and there is no internally generated software.

All software is given a finite useful life based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council range between two and eight years.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £1.125m charged to revenue in 2010/11 (£1.056m 2009/10) was charged as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

There have been no changes in accounting estimates during the year.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 £000	2010/11 £000
Balance at 1 April		
gross carrying amounts	6,264	6,808
accumulated amortisation	(1,340)	(2,396)
Net carrying amount at 1 April	4,924	4,412
Additions:		
purchases	544	908
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	(82)
Amortisation for the year	(1,056)	(1,125)
Other changes	-	
<b>Net carrying amount at 31 March</b>	<b>4,412</b>	<b>4,113</b>
Comprising:		
gross carrying amounts	6,808	7,716
accumulated amortisation	(2,396)	(3,603)
	<b>4,412</b>	<b>4,113</b>

There are 2 items of capitalised software that are individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2011 £000	31 March 2010 £000	
Financial Information Management System	1,326	1,388	8
Council Tax / Housing Benefit System	1,042	883	3
<b>Total</b>	<b>2,368</b>	<b>2,271</b>	

## 16. Financial Instruments

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long - Term			Current		
	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
<b>Investments</b>						
Cash at bank	-	-	-	19,974	25,711	25,696
Investments	-	5,083	-	50,143	15,318	5,154
Available-for-sale financial assets	14,199	12,540	12,540	-	-	-
<b>Total Investments</b>	<b>14,199</b>	<b>17,623</b>	<b>12,540</b>	<b>70,117</b>	<b>41,029</b>	<b>30,850</b>
<b>Debtors</b>						
Loans and receivables	13,910	9,127	8,910	65,300	49,975	33,551
<b>Total Debtors</b>	<b>13,910</b>	<b>9,127</b>	<b>8,910</b>	<b>65,300</b>	<b>49,975</b>	<b>33,551</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost	396,383	360,863	132,865	48,738	16,385	25,927
<b>Total Borrowings</b>	<b>396,383</b>	<b>360,863</b>	<b>132,865</b>	<b>48,738</b>	<b>16,385</b>	<b>25,927</b>
<b>Other Long Term Liabilities</b>						
PFI and finance lease liabilities	111,431	154,958	170,301	6,604	6,842	6,371
<b>Total Other Long Term Liabilities</b>	<b>111,431</b>	<b>154,958</b>	<b>170,301</b>	<b>6,604</b>	<b>6,842</b>	<b>6,371</b>
<b>Creditors</b>						
Financial liabilities at amortised cost	-	-	-	60,496	58,576	46,650
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,496</b>	<b>58,576</b>	<b>46,650</b>

In 2010/11, the Council took out new borrowings of £3.5m from the Public Works Loan Board (PWLb). This, together with the £228m debt at the beginning of the year, was fully repaid to the PWLB. This included debt of £188.5m redeemed by DCLG that related to the housing stock transferred to First Choice Homes Oldham (FCHO) on 7 February 2011.

The Council's Group categories of financial instruments vary in the following respects:

	Long - Term			Current		
	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
<b>Investments</b>						
Cash at bank	-	-	-	21,428	540	26,147
<b>Debtors</b>						
Loans and receivables	13,910	9,126	8,910	64,259	44,995	27,772
<b>Creditors</b>						
Financial liabilities at amortised cost	-	-	-	52,793	51,370	41,396

The following shows an analysis of borrowing by type of debt:

	Long - Term			Current		
	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
<b>Borrowings</b>						
PWLb	263,384	228,032	-	28,724	3,296	-
LOBO'S	126,199	126,231	126,264	1,285	1,288	1,290
Other market debt	6,800	6,600	6,601	18,729	11,801	24,637
	<b>396,383</b>	<b>360,863</b>	<b>132,865</b>	<b>48,738</b>	<b>16,385</b>	<b>25,927</b>

### Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2009/10				2010/11			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and Receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest expense	(31,397)			(31,397)	(69,244)			(69,244)
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(31,397)</b>	<b>-</b>	<b>-</b>	<b>(31,397)</b>	<b>(69,244)</b>	<b>-</b>	<b>-</b>	<b>(69,244)</b>
Interest income		2,691	1,000	3,691		1,684	1,000	2,684
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>2,691</b>	<b>1,000</b>	<b>3,691</b>	<b>-</b>	<b>1,684</b>	<b>1,000</b>	<b>2,684</b>
<b>Net gain/(loss) for the year</b>	<b>(31,397)</b>	<b>2,691</b>	<b>1,000</b>	<b>(27,706)</b>	<b>(69,244)</b>	<b>1,684</b>	<b>1,000</b>	<b>(66,560)</b>

### Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2009/10		2010/11	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	384,505	437,608	170,219	189,795
Short-term creditors	58,576	58,576	46,650	46,650
	443,081	496,184	216,869	236,445

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

	2009/10		2010/11	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and Receivables	22,411	22,863	42,124	42,335
Long Term Debtors	9,127	9,127	8,910	8,910
Short Term Debtors	49,976	49,976	33,551	33,551
	81,514	81,966	84,585	84,796

The fair values for the Council's Group Accounts are as follows:

	2009/10		2010/11	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial Liabilities	380,264	433,367	168,893	188,469
Long Term Creditors	-	-	-	-
Short Term Creditors	58,169	58,169	48,642	48,642
	<b>438,433</b>	<b>491,536</b>	<b>217,535</b>	<b>237,111</b>

	2009/10		2010/11	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and Receivables	22,411	22,863	30,696	30,908
Long Term Debtors	9,126	9,126	8,910	8,910
Short Term Debtors	44,996	51,893	27,772	27,772
	<b>76,533</b>	<b>83,882</b>	<b>67,378</b>	<b>67,590</b>

The differences are attributable to fixed interest instruments receivable being held by the Council whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2011. This increases the fair value of financial liabilities and raises the value of loans and receivables.

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The Council has the following financial instruments that are classed as available for sale.

	31 March 2011 £000
Available for sale financial assets	12,540

The Council's shareholding in the following are included above:

#### **Manchester Airport**

The Council's shareholding represents 5% of the Airport's capital, and is carried at historic cost of £10.214m. The shares have been subject to a number of calculations, but given the wide

spread of valuations arising from the exercise; we would draw the conclusion that the fair value of the airport shares cannot be reliably valued. In accordance with the Code of Practice on Local Authority Accounting in the UK, this would prompt the Council to value the shares at the original cost without impairment.

The following investments are also held by the Council:

	<b>31 March 2011 £000</b>
Oldham Education Enterprise Ltd 100% Shareholding £1 shares	58
Meridian Development Company Ltd 27.15% Shareholding 199 £1 "B" ordinary shares 1,311,021 £1 "B" voting shares	1,311
Oldham Property Partnership Ltd 18.9% Shareholding 757,380 £1 preference shares	757
Community 1 <sup>st</sup> Oldham (Chadderton) Ltd 20% Shareholding	200
	<b>2,326</b>

The above companies are carried at historic cost and have not been valued as a fair value cannot be measured reliably. The companies have no established trading history. There are also no established companies with similar aims in the Council's area whose shares are traded and which might provide comparable market data. The Council has no current intention to dispose of any of the above shareholdings.

## 17. Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Total	
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	401	458	495	243	786	-	1,681	701
Purchases	1,031	1,850	-	7	-	-	1,031	1,857
Recognised as an expense in the year	(1,019)	(1,453)	(202)	(20)	-	-	(1,221)	(1,473)
Written off balances	(4)	(330)	-	-	(786)	-	(790)	(330)
<b>Balance outstanding at start of year</b>	<b>409</b>	<b>525</b>	<b>293</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>701</b>	<b>755</b>

## 18. Construction Contracts

The Council has not entered into any construction contracts in the financial year 2010/11 (in 2009/10 the Council had no construction contracts in progress).

## 19. Debtors

The Council's debtors (net of the provision for bad and doubtful debts) are as follows:

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Central Government Bodies	18,596	22,281	12,442
Other Local Authorities	506	1,957	5,933
NHS Bodies	335	20	101
Debtors System	27,897	23,671	8,125
PFI4 Gateways to Oldham	1,700	3,396	-
Capital Debtors	-	-	2,036
Other entities and individuals	15,798	21,577	24,315
Payments in Advance	4,900	3,825	5,271
<b>Total</b>	<b>69,732</b>	<b>76,727</b>	<b>58,223</b>

## 20. Cash and Cash Equivalents

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
3,828	2,322	Cash held by the Authority	4,724
29,260	5,180	Bank Current Accounts	32,400
(13,114)	(7,257)	Bank overdraft	(11,413)
<b>19,974</b>	<b>245</b>	<b>Total Cash and Cash Equivalents</b>	<b>25,711</b>

## 21. Assets Held for Sale

	Current	
	2009/10 £000	2010/11 £000
<b>Balance outstanding at 1 April</b>	1,353	351
Assets newly classified as held for sale:		
Property, Plant & Equipment	-	1,648
Revaluation losses	(10)	-
Revaluation gains	5	34
Assets declassified as held for sale:		
Property, Plant & Equipment	(817)	-
Assets sold	(180)	(1,816)
Other movements	-	(54)
<b>Balance outstanding at 31 March</b>	<b>351</b>	<b>163</b>

## 22. Creditors

The Council's creditors are as follows:

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Central Government Bodies	(16,869)	(7,196)	(11,193)
Other Local Authorities	(431)	(273)	(1,955)
NHS Bodies	(66)	(326)	(207)
Capital Creditors	-	-	(8,046)
Other entities and individuals	(53,351)	(56,089)	(33,533)
Accumulated Absence	(6,719)	(6,799)	(7,246)
Receipts in Advance	(1,427)	(4,530)	(5,186)
<b>Total</b>	<b>(78,863)</b>	<b>(75,213)</b>	<b>(67,366)</b>

## 23. Provisions

	Short Term				
	Insurance Provision £000	Beal Valley Provision £000	Pay and Reward Provision £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2009</b>	2,489	-	-	750	3,239
Additional provisions made in 2009/10	4,144	-	-	(678)	3,466
Amounts used in 2009/10	(2,489)	-	-	-	(2,489)
<b>Balance at 1 April 2010</b>	<b>4,144</b>	<b>-</b>	<b>-</b>	<b>72</b>	<b>4,216</b>
Additional provisions made in 2010/11	-	1,000	5,657	1,011	7,668
Amounts used in 2010/11	(1,460)	-	-	(291)	(1,751)
<b>Balance at 31 March 2011</b>	<b>2,684</b>	<b>1,000</b>	<b>5,657</b>	<b>792</b>	<b>10,133</b>

	Long Term				
	Insurance Provision £000	Beal Valley Provision £000	Pay and Reward Provision £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2009</b>	9,212	-	-	314	9,526
Additional provisions made in 2009/10	-	-	-	-	-
Amounts used in 2009/10	(4,145)	-	-	-	(4,145)
<b>Balance at 1 April 2010</b>	<b>5,067</b>	<b>-</b>	<b>-</b>	<b>314</b>	<b>5,381</b>
Additional provisions made in 2010/11	1,433	-	6,069	-	7,502
Amounts used in 2010/11	326	-	-	(34)	292
<b>Balance at 31 March 2011</b>	<b>6,826</b>	<b>-</b>	<b>6,069</b>	<b>280</b>	<b>13,175</b>

The Insurance Provision covers all legal liability claims including personal accident risks to employees whilst carrying out their duties, public and all other liability claims, the losses arising from the inability of contractors to fulfil obligations, the fire fund (property claims under £100k) and all other claims under the policy excess, which is £50k.

The Accumulated Absences Provision covers outstanding Employee benefits in terms of Flexi time and Holidays which were outstanding as at 31 March 2011, and will fall due in 2011/12.

The Beal Valley Compensation Provision provides for the cost of reimbursing the developer for additional operating expenses in the extra years consequential to the Deed of Variation.

The Pay and Reward Reserve had been set up to provide for the future increase in payroll costs resulting from the implementation of the new pay and grading structure from 1 January 2011. As this project is now complete the reserve has been transferred to provisions.

The other Provisions represent amounts set aside to meet potential future liabilities.

## 24. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and in Notes 7 and 8.

## 25. Unusable Reserves

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
(119,208)	Revaluation Reserve	(85,724)
(355,459)	Capital Adjustment Account	(82,367)
14,882	Financial Instrument Adjustment Account	10,768
358,300	Pensions Reserve	141,400
-	Deferred Capital Receipts Reserve	(235)
(868)	Collection Fund Adjustment Account	(632)
6,799	Short Term Compensated Absences Account	7,246
<b>(95,554)</b>	<b>Total Unusable Reserves</b>	<b>(9,544)</b>

### (a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2010 £000		31 March 2011	
		£000	£000
(132,097)	Balance as 1 April		(119,208)
(22,510)	Upward revaluation of assets	(20,118)	
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
20,161		41,993	
	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		21,875
(2,349)			
5,135	Difference between fair value depreciation and historic cost depreciation	4,393	
42	Accumulated gains on assets sold or scrapped	7,212	
-	Amount written off to the Capital Adjustment Account		11,605
10,061	IFRS Adjustments		
-	Other		(4)
<b>(119,208)</b>	<b>Balance at 31 March</b>		<b>(85,732)</b>

**(b) Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2010 £000		31 March 2011 £000	
(265,736)	Balance as 1 April		(355,459)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
81,845	Charges for depreciation and impairment of non-current assets	428,696	
	Revaluation losses on Property, Plant and Equipment	42,240	
	Amortisation of intangible assets	82	
	Impairment losses		
9,153	Revenue expenditure funded from capital under statute	18,734	
-	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	58,811	
90,998			548,563
	Adjusting amounts written out of the Revaluation Reserve		
(174,738)	Net written out amounts of the cost of non-current assets consumed in the year		193,104
	Capital financing applied in the year:		
	Use of the Capital Receipts reserve to finance new capital expenditure	(5,146)	
	Use of the Major Repairs Reserve to finance new capital expenditure	(6,784)	
(16,837)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(44,508)	
	Application of grants to capital financing from the Capital Grants Unapplied Account	(8,861)	
(15,937)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,275)	
	Voluntary MRP	(10,901)	
	LSVT Debt set aside	(185,262)	
	Capital expenditure charged against the General Fund and HRA balances	(6,396)	
(207,512)			(275,133)
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(337)
(147,947)	IFRS Adjustments		
-	Other		1
(355,459)	Balance at 31 March		(82,365)

**(c) Financial Instrument Adjustment Account**

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the net expense is posted back to the General Fund

balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case this period is the unexpired term that was outstanding on the loans when they were redeemed on the replacement loan. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 66 years.

31 March 2010 £000		31 March 2011 £000	
18,273	Balance as 1 April		14,882
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	40,341	
(1,201)	Discounts received in the year and credited to the Comprehensive Income and Expenditure Statement	(1,444)	
(2,661)	Proportion of premiums incurred in previous financial years to be charged against the General Fund		
	Balance in accordance with statutory requirements	(45,751)	
471	Proportion of discounts received in previous financial years to be transferred to the General Fund		
	Balance in accordance with statutory requirements	2,740	
(3,391)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(4,114)
<b>14,882</b>	<b>Balance at 31 March</b>		<b>10,768</b>

**(d) Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

31 March 2010 £000		31 March 2011 £000
136,900	Balance as 1 April	358,300
214,900	Actuarial gains and losses on pensions assets and liabilities	(137,000)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(58,900)
25,600		
(19,100)	Employer's pension contributions and direct payments to pensioners payable in the year	(21,000)
<b>358,300</b>	<b>Balance at 31 March</b>	<b>141,400</b>

**(e) Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal on non-current assets but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2010 £000		31 March 2011 £000
	Balance as 1 April	-
	Transfer of deferred sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(235)
-	<b>Balance at 31 March</b>	<b>(235)</b>

(f) **Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2010 £000		31 March 2011 £000
(1,801)	Balance as 1 April	(868)
933	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	236
<b>(868)</b>	<b>Balance at 31 March</b>	<b>(632)</b>

(g) **Short Term Compensated Absences Account**

The Short Term Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2010 £000		31 March 2011 £000
-	Balance as 1 April	6,799
	Settlement or cancellation of the accrual made at the end of the previous year	
6,799	Amounts accrued at the end of the current year	447
<b>6,799</b>	<b>Balance at 31 March</b>	<b>7,246</b>

## 26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

- a) Adjust net surplus or deficit on the provision of services for non cash movements

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
100,052	Depreciation/Impairment	428,307
9,153	REFCUS	18,734
2,698	Impairment Debtors	(1,602)
14,713	Increase/(Decrease) in Creditors	1,094
(7,384)	(Increase)/Decrease in Debtors	24,935
980	(Increase)/Decrease in Inventories	(55)
6,500	Pensions Liability	(79,900)
(3,087)	Contributions to/(from) Provisions	14,157
2,464	Other non-cash adjustments	38,883
<b>126,089</b>		<b>444,553</b>

b) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
(36,864)	Capital Grants credited to surplus or deficit on the provisions of services	(74,209)
(1,876)	Intangible Assets	66,025
<b>(38,740)</b>		<b>(8,184)</b>

c) Interest received, interest paid and dividends received

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
2,691	Interest received	1,514
(30,867)	Interest paid	(28,186)
1,000	Dividends received	1,000
<b>(27,176)</b>		<b>(25,672)</b>

## 27. Cash Flow Statement – Investing Activities

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
(59,388)	Purchase of property, plant and equipment, investment property and intangible assets	(93,432)
(5,000)	Purchase of short-term and long-term investments	-
	Other payments for investing activities	
4,932	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,796
33,500	Sale of short-term and long-term investments	15,000
33,365	Other receipts for investing activities	69,345
<b>7,409</b>	<b>Net cash flows from investing activities</b>	<b>(3,291)</b>

## 28. Cash Flow Statement – Financing Activities

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
12,449	Cash receipts of short-term and long-term borrowing	27,545
(4,695)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,147)
(78,968)	Repayments of short-term and long-term borrowing	(243,713)
(13)	Billing Authorities - Council Tax and NNDR Adjustments	419
<b>(71,227)</b>	<b>Net cash flows from financing activities</b>	<b>(221,896)</b>

## 29. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure;
- the cost of retirement benefits is based on cash flows rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not recharged to Directorates.

The income and expenditure of the Council's principal Directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2010/11	Assistant Chief Executive	Economy, Place and Skills	People, Communities and Society	Performance, Services and capacity	Capital Treasury & Technical Accounting	General Fund Total	Housing Revenue Account (HRA)	Net Cost of Services
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(2,082)	(29,625)	(15,897)	(54,043)	(13,107)	(114,754)	(37,821)	(152,575)
Government grants	(1,306)	(16,116)	(232,610)	(97,615)	(161)	(347,808)	(17,699)	(365,507)
<b>Total Income</b>	<b>(3,388)</b>	<b>(45,741)</b>	<b>(248,507)</b>	<b>(151,658)</b>	<b>(13,268)</b>	<b>(462,562)</b>	<b>(55,520)</b>	<b>(518,082)</b>
Employee expenses	3,260	26,482	73,331	30,186	2,666	135,925	-	135,925
Other operating expenses	3,236	82,096	288,959	119,993	29,308	523,592	54,354	577,946
Support Service Recharges	640	7,705	10,054	17,418	3,595	39,412	568	39,980
<b>Total operating expenses</b>	<b>7,136</b>	<b>116,283</b>	<b>372,344</b>	<b>167,597</b>	<b>35,569</b>	<b>698,929</b>	<b>54,922</b>	<b>753,851</b>
<b>Net Cost of Services</b>	<b>3,748</b>	<b>70,542</b>	<b>123,837</b>	<b>15,939</b>	<b>22,301</b>	<b>236,367</b>	<b>(598)</b>	<b>235,769</b>

Directorate Income and Expenditure 2009/10 Comparative Figures	Assistant Chief Executive	Economy, Place and Skills	People, Communities and Society	Performance, Services and capacity	Capital Treasury & Technical Accounting	General Fund Total	Housing Revenue Account (HRA)	Net Cost of Services
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(733)	(32,031)	(9,241)	(40,084)	-	(82,089)	-	(82,089)
Government grants	(1,193)	(7,031)	(225,050)	(95,883)	(85)	(329,242)	-	(329,242)
<b>Total Income</b>	<b>(1,926)</b>	<b>(39,062)</b>	<b>(234,291)</b>	<b>(135,967)</b>	<b>(85)</b>	<b>(411,331)</b>	<b>-</b>	<b>(411,331)</b>
Employee expenses	2,461	27,780	72,647	28,471	556	131,915	-	131,915
Other operating expenses	1,600	70,075	264,610	113,283	122	449,690	-	449,690
Support Service Recharges	474	12,520	12,406	6,637	67	32,104	-	32,104
<b>Total operating expenses</b>	<b>4,535</b>	<b>110,375</b>	<b>349,663</b>	<b>148,391</b>	<b>745</b>	<b>613,709</b>	<b>-</b>	<b>613,709</b>
<b>Net Cost of Services</b>	<b>2,609</b>	<b>71,313</b>	<b>115,372</b>	<b>12,424</b>	<b>660</b>	<b>202,378</b>	<b>-</b>	<b>202,378</b>

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Cost of Services in Service Analysis	202,378	235,769
Add services not included in main analysis	17,879	-
Add amounts not reported in service management accounts	20,443	98,912
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>240,700</b>	<b>334,681</b>
Other group income and expenditure not reported to Management	(24,891)	22,576
<b>Net cost of Services in Group Comprehensive Income and Expenditure Statement</b>	<b>215,809</b>	<b>357,257</b>

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(152,575)			39,980	(112,595)		(112,595)
Interest and investment income					-	(1,289)	(1,289)
Income from council tax and non domestic rates					-	(191,601)	(191,601)
Government grants and contributions	(365,507)		3,738		(361,769)	(119,419)	(481,188)
<b>Total Income</b>	<b>(518,082)</b>	<b>-</b>	<b>3,738</b>	<b>39,980</b>	<b>(474,364)</b>	<b>(312,309)</b>	<b>(786,673)</b>
Employee expenses	135,925		2,523		138,448		138,448
Other service expenses	577,946		7,446		585,392		585,392
Support Service recharges	39,980			(39,980)	-		-
Depreciation, amortisation and impairment			85,205		85,205		85,205
Interest Payments					-	77,144	77,144
Precepts & Levies					-	25,849	25,849
Payments to Housing Capital Receipts Pool					-	957	957
Gain or Loss on Disposal of Fixed Assets					-	59,394	59,394
<b>Total operating expenses</b>	<b>753,851</b>	<b>-</b>	<b>95,174</b>	<b>(39,980)</b>	<b>809,045</b>	<b>163,344</b>	<b>972,389</b>
<b>Surplus or deficit on the provision of services</b>	<b>235,769</b>	<b>-</b>	<b>98,912</b>	<b>-</b>	<b>334,681</b>	<b>(148,965)</b>	<b>185,716</b>
Surplus or deficit on the provision of services of group entries not reported to management							27,512
Group surplus or deficit on the provision of services							201,706

2009/10 Comparative Figures	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(82,089)	(50,056)	(2,468)	32,104	(102,509)		(102,509)
Interest and investment income					-	(4,739)	(4,739)
Income from council tax and non domestic rates					-	(179,341)	(179,341)
Government grants and contributions	(328,146)	(17,766)	15,509		(330,353)	(89,444)	(419,847)
<b>Total Income</b>	<b>(410,235)</b>	<b>(67,822)</b>	<b>13,041</b>	<b>32,104</b>	<b>(432,912)</b>	<b>(273,524)</b>	<b>(706,436)</b>
Employee expenses	131,915		(3,087)		128,828		128,828
Other service expenses	449,690	87,181			536,871		536,871
Support Service recharges	32,104	616		(32,104)	616		616
Depreciation, amortisation and impairment			7,297		7,297		7,297
Interest Payments					-	43,197	43,197
Precepts & Levies					-	24,900	24,900
Payments to Housing Capital Receipts Pool					-	642	642
Gain or Loss on Disposal of Fixed Assets					-	7,338	7,338
<b>Total operating expenses</b>	<b>613,709</b>	<b>87,797</b>	<b>4,210</b>	<b>(32,104)</b>	<b>673,612</b>	<b>76,077</b>	<b>749,689</b>
<b>Surplus or deficit on the provision of services</b>	<b>203,474</b>	<b>19,975</b>	<b>17,251</b>	<b>-</b>	<b>240,700</b>	<b>(197,447)</b>	<b>43,253</b>
Surplus or deficit on the provision of services of group entries not reported to management							(23,535)
Group surplus or deficit on the provision of services							19,718

## Non Distributed Costs and Exceptional Item

The Non Distributed Costs (NDC) has a favourable impact of £2.184m within the Comprehensive Income and Expenditure Statement (CIES). There is also a gain of £87.3m principally due to a change in the measure of inflation from Retail Price Index to Consumer Price Index for the purpose of pension valuations which is disclosed as an Exceptional Item on the face of the CIES. This change was announced by the Government in June 2010 and came into effect from April 2011. There was also a gain of £0.7m on pension curtailments and settlements. The gains offset a loss on the impairment of assets with a value of £2.9m.

### 30. Acquired and Discontinued Operations

The Council has not acquired any operations in the year to 31 March 2011 (no operations were acquired in the year to 31 March 2010). The Council has not discontinued any operations in the year to 31 March 2011 (no operations were discontinued in the year to 31 March 2010).

### 31. Trading Operations

The Council has established numerous trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council, other organisations or the public. Details of those units operating within a commercial environment are listed below.

		2008/09		2009/10		2010/11	
		£000	£000	£000	£000	£000	£000
Highways Maintenance							
	Turnover	(606)		(444)		(499)	
	Expenditure	596		575		490	
	(Surplus) / Deficit		(10)		131		(9)
Catering							
	Turnover	(5,490)		(5,198)		(5,431)	
	Expenditure	5,297		5,379		5,320	
	(Surplus) / Deficit		(193)		181		(111)
Cleaning							
	Turnover	(2,171)		(2,277)		(2,075)	
	Expenditure	2,242		2,551		2,322	
	(Surplus) / Deficit		71		274		247
Fleet Management							
	Turnover	(431)		(524)		(430)	
	Expenditure	445		532		461	
	(Surplus) / Deficit		14		8		31
Trade Waste							
	Turnover	(1,224)		(1,278)		(1,213)	
	Expenditure	1,038		1,232		1,063	
	(Surplus) / Deficit		(186)		(46)		(150)
Markets							
	Turnover	(2,097)		(1,980)		(1,834)	
	Expenditure	1,331		1,595		1,557	
	(Surplus) / Deficit		(766)		(385)		(277)
Parking							
	Turnover	(2,190)		(2,131)		(2,331)	
	Expenditure	1,658		1,884		1,928	
	(Surplus) / Deficit		(532)		(247)		(403)
Non-Operational Property							
	Turnover	(3,718)		(3,254)		(3,349)	
	Expenditure	3,126		2,634		5,154	
	(Surplus) / Deficit		(592)		(620)		1,805
Public Halls							
	Turnover	(547)		(690)		(602)	
	Expenditure	662		1,153		1,068	
	(Surplus) / Deficit		115		463		466
Building Control							
	Turnover	(458)		(378)		(606)	
	Expenditure	928		838		1,042	
	(Surplus) / Deficit		470		460		436
Cemeteries & Crematoria							
	Turnover	(1,165)		(1,099)		(1,184)	
	Expenditure	1,566		1,536		1,871	
	(Surplus) / Deficit		401		437		687
Security Services							
	Turnover	(814)		(791)		(774)	
	Expenditure	999		1,065		1,093	
	(Surplus) / Deficit		185		274		319
TOTAL			(1,023)		930		3,041

## **Details of Trading Undertakings**

### **General**

The overall adverse position includes one off capital adjustments for impairment of assets – there was a slight improvement in performance compared to the prior year taking this adjustment into account; however, whilst there are some specific reasons for the movement within individual services, the major factor for the net deficit is the ongoing adverse economic situation in 2010/11 and the impact of unfavourable winter weather conditions.

It is expected that this lower level of performance will be continued in 2011/12 however, performance should improve as the economic position becomes more favourable.

### **Highways Maintenance**

Highways Maintenance carries out various functions including highway maintenance and structures, land drainage and new street works. They also provide professional highways & engineering services. The competitive element listed in this note relates to all services for clients that have choice of contractor. These clients include FCHO, schools and private organisations and individuals.

### **Catering**

The Catering service employs approximately 440 staff, mainly part-time. The service provides over 13,400 school meals per day, 38 weeks per year. The meals include both lunches and breakfasts (for breakfast clubs). As at the year-end, the service provided meals to 93 primary schools and 4 special schools.

### **Cleaning**

The Cleaning service employs approximately 500 staff, mainly part-time. It has responsibility for the provision of building cleaning to over 200 public and educational establishments across the borough.

### **Fleet Management**

This service looks after the Council's vehicles that operate in a variety of services including Waste Services, Streetscene and Parks. There are approximately 15 full-time equivalent staff employed in the service and it operates one workshop incorporating an MOT bay that is also used to MOT vehicles belonging to the public. All the borough's taxis and private hire vehicles have to be MOT tested at this facility. It is this MOT testing part of the Fleet Management service that is deemed to be subject to competitive forces and is included in the figures above.

### **Trade Waste**

In 2010/11, a decreased commercial tonnage sent to landfill combined with the stepped increase in landfill cost at an additional £8 per tonne has resulted in a slightly favourable performance compared to the previous year.

### **Markets**

The Markets service covers three outdoor markets, one indoor market and twenty market shops. The service employs twelve people and has the capacity for 726 stalls of various types. On average it has 580 traders. The open markets operate between two and four days per week. The indoor markets and market shops open six days per week. The service has seen a marked reduction in revenues due to economic conditions.

### **Parking**

Parking services are managed on behalf of Oldham Council by NSL (formerly NCP car parks), which is currently an in-house service; a new contract was agreed with NSL this year to 2019. There are two elements to the service: on-street parking and car parks. The latter incorporates 13 designated car parks of various types and is the element included in this note as on-street car parking is not subject to competitive forces.

### Non-Operational Property

Oldham Council manages directly, or via the Unity Partnership, approximately 360 industrial buildings/units plus many other non-operational property assets (such as various categories of land) across the Borough. These assets are leased or licensed to various organisations and individuals and are on both short and long-term arrangements. Many occupants are subject to service charges for general maintenance and management of the assets although the nature of the contractual arrangement varies, as appropriate, depending on the nature of the asset, its use and market forces. The economic conditions have had an effect on this service. Current year reduction in income compared to the previous years is as a result of one off costs including an increased bad debt provision. The overall adverse position includes an adjustment for capital on impairment of assets.

### Public Halls

Whilst Oldham Council has a number of public halls, the vast majority of the activity relates to the Queen Elizabeth Hall. This venue is well used and generated £0.392m income in 2010/11 (£0.479m in 2009/10).

### Building Control

Building Control revenue has been adversely affected by the economic downturn and performance has improved slightly compared to that achieved last year and the year before at the height of the economic recession. Considering the current climate, performance in 2011/12 is unlikely to differ significantly to that compared in the last three financial years however, performance should improve as the economy strengthens in the coming year.

### Cemeteries & Crematoria

This service manages seven cemeteries, eight closed churchyards and one crematorium. It employs twenty full-time equivalent staff and is currently carrying out a new initiative of reinstating dangerous headstones throughout its property. The financial performance in 2010/11 includes an adjustment for capital that has adversely affected performance.

### Security Services

Oldham Council operates an in-house security service to monitor and protect some of its property. This includes such properties as schools, council buildings and leisure facilities. It also contracts externally with organisations such as FCHO. It employs around 64 FTE staff with a planned re-structure to take effect from 1 April 2011. The trading results shown above relate to contracts with schools, FCHO and private organisations as these elements are subject to competitive forces. The deficit in 2010/11 is partly the result of one-off investment in buildings, equipment including radio network costs and reduction in the levels of income.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. highways maintenance) whilst other are support services to the Council's services to the public (e.g. schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

	2009/10 £000	2010/11 £000
Net (surplus)/deficit on trading operations		
Services to the public included in Expenditure of Continuing Operations	201	2,585
Support services recharged to Expenditure of Continuing Operations	729	456
<b>Net (surplus)/Deficit credited to Other Operating</b>	<b>930</b>	<b>3,041</b>

### 32. Agency Services

The Council carries out work on an agency basis for United Utilities plc for which it is fully reimbursed. The Council collects water rates from people who live in Council owned houses on behalf of United Utilities plc. This is an agency agreement with United Utilities plc and earned the Council a commission of £0.779m in 2010/11 (£0.877m in 2009/10).

The Council, as the billing authority, also acts as agent for the Government in collecting National Non-Domestic Rates (NNDR). The Government paid an allowance for the cost of this collection of £0.307m in 2010/11 (£0.318m in 2009/10).

	2009/10 £000	2010/11 £000
Services provided for United Utilities		
Commission received from United Utilities for collection of water rates	877	779
Government allowance for cost of collection of NNDR	318	307
<b>Net surplus arising on the agency agreements</b>	<b>1,195</b>	<b>1,086</b>

### 33. Large Scale Voluntary Stock Transfer (LSVT)

#### Stock Transfer Disclosure Note

The Council transferred the majority of its housing stock to First Choice Homes Oldham (FCHO) on 7 February 2011. This has had a material impact on the Council's accounts for 2010/11 and this note explains the main issues and the impact on the accounts in 2010/11 and in future years.

#### Assets Transferred

The Council transferred 11,868 dwellings, 990 garages and sheds, 68 shops and various plots of land within housing estates with lower and higher development potential. The Council will have involvement in choosing how to develop the land and share in the uplift in value of the assets.

#### Assets Retained

The Council will continue to maintain a Housing Revenue Account (HRA) as it continues to own council dwellings for let. A total of 1,429 properties are managed by Oldham Retirement Housing Partnership (30 year HRA Round 2 PFI scheme which ends October 2036) and 336 properties are still managed by FCHO until the 25 year HRA Round 4 PFI scheme is concluded (expected during 2011). All associated unitary charge payments, other costs, rental income, PFI grant and other income will be within the Housing Revenue Account.

Further assets retained, which will be held outside of the HRA within the new financial year, include various plots of land deemed highly developable and the District Heating Network on the St Mary's estate. Again this is due to its future potential once investment is made to convert the facility to a greener biomass boiler.

#### Transfer Price and Associated Costs

The transfer price for the dwellings and associated assets was £231.292m. The transfer price is based on a prescribed Government formula which reflects the current value of future income and expenditure streams for the assets over the next 30 years.

The transfer price includes the contract for improvement works of £229.792m which will be undertaken by FCHO. This resulted in an actual receipt received by the Council of £1.5m. This capital receipt was used to off set the stock transfer transaction costs incurred by the Council.

### **Right to Buy Sharing Agreement**

As with other successful stock transfers the Council has entered into an agreement with FCHO relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants, new tenants post transfer do not have the same Right to Buy options with differing regulations governing these tenancies.

The Council will receive capital receipts at the end of each financial year for any properties sold within the year. The value of receipt is calculated using a formula that takes the net income forgone by the Housing Association from the total proceeds from the sale of dwellings for that year. There were no sales from the date of transfer to the financial year end.

### **Disposals Clawback Agreement**

The Council negotiated a clawback arrangement with the Housing Association for any future sales of land that had previously transferred. There are some exceptions to this arrangement as set out within the Transfer Agreement which include land that is sold for community benefit, highways and to provide utility supplies.

### **VAT Shelter Arrangement**

In normal circumstances, housing associations are not able to reclaim VAT on improvement works to dwellings. The VAT Shelter is an arrangement, used in every transfer since 2002, with HMRC's agreement, whereby FCHO can reclaim VAT on future improvement works to the transferred housing stock. Of the £229.792m of improvement works to be undertaken, an estimated £45.958m of VAT would be recoverable by FCHO over the next 15 years.

The Council has agreed a 50/50 share of the VAT with FCHO, after FCHO has retained the first tranche of recoverable VAT; this is a sum of £14.9m. This first tranche of VAT will be utilised by FCHO within their Business Plan and is estimated to be within the first 4 years post transfer. This was agreed between both parties to aid FCHO in delivering the needed improvements to the housing stock.

FCHO will also retain a second tranche of VAT Shelter savings, totalling £6.0m. This second tranche will be solely used for asbestos works that exceed the value estimated with the Stock Condition Survey of £7.2m (net of inflation, fees and VAT). This arrangement was agreed to mitigate the Council's risk of a contingent liability through the asbestos warranty. If the total amount of the second tranche is not needed, the remaining balance will be shared under the 50/50 sharing agreement.

The estimated value of VAT Shelter savings for the Council is £12.529m (£1.392m per annum years 7 to 15). Currently the spend profile for the Major Works Improvement Programme is on average an even split across all 15 years from the date of transfer. The Council will not expect to receive any VAT savings until 2016/17. The savings that are received by the Council will be treated as a capital receipt due to the level of potential savings forecast.

### **Pension Warranty**

The Council has agreed to warranty any future liabilities arising from FCHO going into insolvency. The warranty is for existing employees, deferred members and pensioners as at the date of transfer. The warranty does not cover new employees who are employed by FCHO after the date of transfer.

### **Rent and Service Charge Arrears**

In accordance with the agreed CIPFA formula, all current and former tenant rent arrears (except for those tenants remaining with the Council) as at the date of transfer were sold to FCHO.

Miscellaneous and service charge arrears were sold to FCHO at 22% of the level of arrears.

An agreement was made between the Council and FCHO that payment for arrears should be made in equal instalments over the next 9 months.

**Warranties**

The Council has agreed to a number of warranties under the Transfer Agreement, these are common place in such negotiations.

The key warranties for the Council in respect of contingent liabilities are the asbestos indemnity, contracts let by the Arms Length Management Organisation (ALMO) for six years from the date of transfer and environmental pollution.

**Asbestos Indemnity**

The Council will indemnify FCHO for all costs, claims and lawsuits against FCHO which arise from any person being exposed to asbestos unless there is negligence on the part of FCHO.

The indemnity also covers the cost of removal, treatment or encapsulation of asbestos within properties to be paid by the Council provided that FCHO have firstly spent the £7.782m (inclusive of fees) net cost identified within the Stock Condition Survey and the additional £6m made available by the VAT Sharing agreement.

The indemnity stipulates that both parties should work together on an Asbestos Management Policy which will comply with environmental law and endeavour to reduce the risk of asbestos claims.

**Contracts let by FCHO**

The Council will indemnify FCHO, for six years post the transfer date, against all claims, demands, costs, losses and liabilities incurred in connection with any material breach by FCHO of any contract entered into before the date of transfer provided that FCHO meet the first £250k of any contract liabilities.

**Environmental Pollution**

The Council has warranted that FCHO could claim for a sum of up to £70m for dwellings that have been contaminated by environmental pollution.

At the time of this agreement the Council had been in full compliance with Environmental Law and to the best of its knowledge and belief knows not of any circumstances which may prevent this in the future. There were no current or pending claims of this nature against the Council at the transfer date.

The sum of £70m was agreed following negotiations having taken into account the results of other stock transfers where amounts were agreed under similar warranties.

**Services provided By FCHO and the Council**

Agreements were made with FCHO for a number of services to be provided for the Council by FCHO and some services provided to FCHO by the Council, which benefit both parties and their customers.

The services that are to be provided by the Council to FCHO include Grounds Maintenance, Legal Services, Payroll and Health and Wellbeing. During the financial year 2011/12 income from these services will be circa £1.1m.

The services that are to be provided by FCHO to the Council include Asylum Seekers, Housing Benefits Overpayment Cash Collection, Housing Options Service and Advice including Homelessness, Choice Based Lettings, Management of the Properties which will be included within PFI 4 and Heating Charge Cash Collection. During 2011/12 the cost for these services will be circa £1.7m of which circa £600k will be funded through the HRA as this relates to the management of the properties retained for PFI4.

Negotiations around service provision identified that a credit note would be issued by FCHO at the date of transfer totalling £6.499m. This revenue receipt will be paid to the Council in

instalments until 31 March 2012. The first instalment will be received by the Council in May 2011.

### 34. National Health Service Act 2006 Pooled Funds and Similar Arrangements

In 2006, a Joint Loan Equipment Service was formed with Oldham Primary Care Trust (NHS Oldham) and Oldham Council under section 31 of the Health Act 1999 (superseded by the 2006 Act). The partnership was established for the purposes of a pooled budget arrangement.

The Joint Loan Equipment Service is available to all residents of Oldham who meet the criteria for service provision, making available on loan equipment that will enhance the life of service users, providing an efficient and caring service to its users that is responsive to their changing needs.

The Service:

- Loans community equipment to service users to support as normal and independent a lifestyle as possible
- Enables disabled people to live at home rather than in institutional care
- Facilitates discharge from hospital, intermediate care or other institutional care
- Includes the community equipment needs of people meeting the Greater Manchester criteria (as applied in Oldham) for NHS funded continuing healthcare

Oldham Council's financial contribution to the partnership is included in Adult Services net cost of services in the Income and Expenditure Account. The gross financial contribution to the partnership in 2010/11 was £1.228m (£0.578m net). In 2009/10 the gross financial contribution was £1.663m (£0.642m net).

### 35. Members' Allowances

The Council paid the following amounts to Members during the year:

	2009/10 £000	2010/11 £000
Allowances	959	946
Expenses	1	2
<b>Total</b>	<b>960</b>	<b>948</b>

### 36. Officers' Remuneration

The remuneration of senior employees, also shown in the table of all employees earning over £50,000, is detailed below.

		Salary, Fees and Allowances £000	Bonuses £000	Expenses Allowances £000	Compensation for Loss of Office £000	Pension Contribution £000	Total £000	Notes
C Parker, Chief Executive, Head of Paid Service and Clerk to GMWDA	2010/11	186		2		28	216	
	2009/10	184		2		27	213	
Executive Director: People, Communities and Society, Director of Adults' Social Services	2010/11	128		1	66	20	215	A
	2009/10	138		1		21	160	
Executive Director: Economy, Places and Skills	2010/11	138				22	160	B
	2009/10	136				20	156	
Executive Director: Performance, Services and Capacity	2010/11	132		1		20	153	
	2009/10	132				23	155	
Assistant Chief Executive	2010/11	131				20	151	B
	2009/10	128				19	147	
Chief Education Officer and Director of Children's Social Services	2010/11	107		1		17	125	C
	2009/10	101				15	116	
Borough Treasurer and Chief Financial Officer [Section 151 Officer]	2010/11	100				16	116	D
	2009/10	49				7	56	
Chief of Staff	2010/11	94		1		15	110	E
	2009/10							
Borough Solicitor and Monitoring Officer	2010/11	92		2		14	108	
	2009/10	90		1		13	104	
Director of Adults' Social Services	2010/11	15				2	17	F
	2009/10							
Executive Director	2010/11							G
	2009/10	20			138	3	161	
Executive Director and Chief Education Officer	2010/11			1		7		H
	2009/10	45					53	

Senior Officers served for the whole of 2010/11 and 2009/10 unless stated below.

Note	
A	The post of Executive Director: People, Communities and Society was declared redundant and the postholder left the Council on 28 February 2011. The postholder also held the statutory role of Director of Adults' Social Services. This duty was re-assigned with effect from 1 February 2011.
B	The Executive Director: Economy, Places and Skills and the Assistant Chief Executive were both appointed on 6 April 2009.
C	The Chief Education Officer and Director of Children's Social Services was appointed on 14 April 2009.
D	The Borough Treasurer was appointed on 5 October 2009. The duties of the post were fulfilled by an agency contractor earlier in 2009/10.
E	The Chief of Staff joined the Executive Management Team from 1 April 2010.
F	The statutory role of Director of Adults' Social Services was assumed by the Assistant Executive Director, People, Communities and Society with effect from 1 February 2011. Remuneration is disclosed from that date.
G	This senior officer left on 31 May 2009 as a result of the 2008/09 restructuring of the Executive Management Team.
H	The previous Chief Education Officer resigned as of 16 August 2009

The Chief Executive provides services for both the Council and the Greater Manchester Waste Disposal Authority, for which an allowance of £12,294 (2009/10 £12,294) was paid. This allowance is included in the figures above.

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2009/10 Number of Employees	Remuneration Band	2010/11 Number of Employees
72	£50,001 - £55,000	63
61	£55,001 - £60,000	69
20	£60,001 - £65,000	21
17	£65,001 - £70,000	13
10	£70,001 - £75,000	13
7	£75,001 - £80,000	6
10	£80,001 - £85,000	11
-	£85,001 - £90,000	1
4	£90,001 - £95,000	2
1	£95,001 - £100,000	-
2	£100,001 - £105,000	1
2	£105,001 - £110,000	4
1	£110,001 - £115,000	1
-	£115,001 - £120,000	-
-	£120,001 - £125,000	-
1	£125,001 - £130,000	1
1	£130,001 - £135,000	2
2	£135,001 - £140,000	1
-	£140,001 - £145,000	-
-	£145,001 - £150,000	-
-	£150,001 - £155,000	-
-	£155,001 - £160,000	-
1	£160,001 - £165,000	1
<b>212</b>	<b>TOTAL</b>	<b>210</b>

153	Teachers included above	154
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### 37. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2009/10 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	340	328
Fees payable to the Audit Commission in respect of statutory inspections	45	-
Fees payable to the Audit Commission in respect of grant claims and returns for the year	96	127
<b>Total</b>	<b>481</b>	<b>455</b>

### 38. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided in an authority wide basis and for the Individual Schools Budget which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2010/11 are as follows:

	2010/11			2009/10		
	Central Expenditure £000	ISB £000	Total £000	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2010/11			163,342			165,138
Brought forward from 2009/10			7,482			5,123
Carry forward to 2011/12 agreed in advance			(7,482)			(5,123)
Agreed budget distribution in 2010/11	17,117	146,225	163,342	17,806	147,332	165,138
Actual central expenditure	(16,456)		(16,456)	(15,447)	-	(15,447)
Actual ISB deployed to schools		(146,225)	(146,225)	-	(147,332)	(147,332)
<b>Carry forward to 2011/12</b>	<b>661</b>	<b>-</b>	<b>8,143</b>	<b>2,359</b>	<b>-</b>	<b>7,482</b>

### 39. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10 £000		2010/11 £000
	<b>Credited to Taxation and Non-Specific Grant Income</b>	
(83,848)	Council Tax Income	(85,422)
(95,493)	Non Domestic Rates	(106,179)
	Non Ringfenced Government Grants:	
(22,041)	Revenue Support Grant	(15,418)
(19,502)	Area Based Grant	(24,824)
	Capital Grants and Contributions:	
(5,733)	Private Finance Initiative	(5,626)
(2,881)	Department for Education - Early Years	(2,299)
(14,729)	Department for Education - Schools Capital	(36,896)
(1,307)	Department for Transport - Retaining Walls	(8,635)
(13,481)	Housing Market Renewal Fund (HMRF)	(12,689)
(1,004)	New Deal for Communities (NDC)	(3,036)
(2,610)	Regional Housing Board - Housing Improvement Programme	(1,943)
(3,867)	Other Government Grant	(5,341)
(2,289)	Other grants/contributions	(2,712)
<b>(268,785)</b>	<b>Total</b>	<b>(311,020)</b>
	<b>Credited to Services</b>	
(10,161)	DFES Early Years	(13,409)
(21,002)	Council Tax Benefit Grant	(22,134)
(69,201)	Housing Benefit Grant	(70,376)
(12,952)	HRA Subsidy	(14,401)
(2,187)	HMR Fund Grant	(10,328)
(6,329)	LSC 6th Form	(6,539)
(2,482)	LSC ACL Income	(2,733)
(1,728)	LSC Vocational	(851)
(2,048)	New Deal for Communities (NDC)	(804)
(489)	Other Government Grants	(19,011)
(510)	Other Grants	(9,445)
(27,359)	Standards Fund	(27,646)
(8,228)	Supporting People	-
(43)	Surestart	(66)
(1,642)	European Regional Development Fund	(54)
(165,138)	Dedicated Schools Grant	(163,972)
<b>(331,499)</b>	<b>Total</b>	<b>(361,769)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2008/09 £000	2009/10 £000	2010/11 £000
<b>Capital Grants Receipts in Advance</b>			
New Deal for Communities (NDC)	-	-	(318)
Big Lottery Fund	-	-	(203)
Other Contributions	-	-	(198)
<b>Total</b>	-	-	<b>(719)</b>

## 40. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

### **Central Government**

Central Government has effective control over the operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 39.

### **Members**

Members of the Council have a direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 35.

Members have not disclosed any material transactions with related parties.

The Register of Members' Interest is open to public inspection at the Civic Centre during office hours, on application.

### **Officers**

Chief Officers have not disclosed any material transactions with related parties.

### **Other Public Bodies (subject to common control by central government)**

The Council has pooled budget arrangements with NHS Oldham in relation to Joint Loan Equipment Stores. Transactions are detailed in Note 34.

The Authority also pays levies towards the services provided by the Greater Manchester Waste Disposal Authority (GMWDA) and the Greater Manchester Integrated Transport Authority (GMITA).

The amount paid to GMWDA in 2010/11 was £10,633k (£9,611k in 2009/10).  
The amount paid to GMITA in 2010/11 was £14,844k (£14,113k in 2009/10).

### **Entities Controlled or Significantly Influenced by the Council**

The net value of transactions with entities controlled or significantly influenced by the Council during the year are as follows:

2009/10 £000		2010/11 £000
-	Oldham Economic Development Association (OEDA)	-
(250)	Oldham Property Partnerships (OPP)	(2,250)
25,279	First Choice Homes Oldham Ltd (FCHO)	22,729
(588)	Oldham Educational Enterprises (OEE)	412
16,856	Unity Partnership Ltd	20,423
-	Meridian Development Ltd	-
293	Community 1 <sup>st</sup> Oldham	931
<b>41,590</b>	<b>Total Net Transactions</b>	<b>42,245</b>

On 7 February 2011, there was a large scale voluntary transfer (LSVT) of housing stock from the Council to FCHO. As part of this process FCHO became a Registered Provider of Social Housing and ceased to be a related party of the Council. Therefore, the transactions with FCHO shown above are for the period 1 April 2010 to 7 February 2011 only.

Further details of these entities are contained within the Group Accounts.

The following amounts were due from related parties at 31 March and are included in Debtors (see Note 19):

2008/09 £000	2009/10 £000		2010/11 £000
221	250	Unity Partnership Ltd	3
-	4,100	Oldham Educational Enterprises (OEE)	3,587
15	-	Other	-
<b>236</b>	<b>4,350</b>		<b>3,590</b>

The following amounts were due to related parties at 31 March 2011 and are included in Creditors (see Note 22):

2008/09 £000	2009/10 £000		2010/11 £000
(1,815)	(3,538)	Unity Partnership Ltd	(1,446)
-	(6,626)	First Choice Homes Oldham Ltd (FCHO)	-
(500)	-	Oldham Economic Development Association (OEDA)	-
-	-	Other	279
<b>(2,315)</b>	<b>(10,164)</b>		<b>(1,167)</b>

#### 41. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in a decrease in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2010/11 £000	2009/10 £000
<b>Opening capital financing requirement</b>	<b>592,876</b>	<b>553,554</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	85,955	93,938
Investment Properties	33	-
Intangible Assets	907	544
Revenue Expenditure Funded from Capital Under Statute	18,734	9,153
<b>Sources of Finance</b>		
Capital receipts	(5,145)	(1,887)
Government grants and other contributions	(53,368)	(36,864)
Sums set aside from revenue	-	(16,733)
Statutory Provision for Financing and Additional Voluntary Contributions	(18,177)	-
Gain recognised on cancellation of PWLB debt	(185,262)	-
CERA	(6,395)	-
Major Repairs Allowance	(6,784)	(8,820)
Other	-	(9)
<b>Closing capital financing requirement</b>	<b>423,374</b>	<b>592,876</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (supported by government financial assistance)	(3,041)	(1,582)
Increase in underlying need to borrow (unsupported by government financial assistance)	18,802	40,904
Assets acquired under finance leases	(185,262)	-
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>(169,501)</b>	<b>39,322</b>

## 42. Leasing

### Oldham Council as Lessee

#### Finance Leases

On transition to IFRS, effective from 1 April 2009, a number of operating leases for vehicles and equipment that had been classed as operating leases were reclassified as finance leases. The assets acquired under finance leases are carried as Operational Other Land and Buildings, and Operational Plant and Equipment in the Balance Sheet at the following net amounts:

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
<b>Other Land and Buildings</b>		
Queen Elizabeth Hall	1,450	816
Civic Centre	8,950	6,285
Freehold School	1,925	551
Greenhill School	2,122	607
	14,447	8,259
<b>Vehicles, Plant, Furniture and Equipment</b>		
Fleet	1,597	2,494
Equipment	401	542
Schools	202	531
	2,200	3,567
	<b>16,647</b>	<b>11,826</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
<b>Finance lease liabilities (net present value of minimum lease payments):</b>		
current	1,629	2,078
non - current	2,393	4,022
Finance costs payable in future years	688	1245
<b>Minimum lease payments</b>	<b>4,710</b>	<b>7,345</b>

The minimum lease payments will be paid over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
Not later than one year	1,478	2,127	1,244	1,726
Later than one year and not later than five years	1,611	3,056	1,414	2,629
Later than five years	17	51	16	45
	<b>3,106</b>	<b>5,234</b>	<b>2,674</b>	<b>4,400</b>

### Operating Leases

During 2010/11 the Council continued to lease land and buildings by means of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
Not later than one year	755	768
Later then one year and not later than five years	1,788	2,007
Later than five years	6,819	7,356
	<b>9,362</b>	<b>10,131</b>

Of these future minimum lease payments the Council is expected to receive the following from sub-letting.

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
Minimum lease payments	9,363	10,131
sublease payments receivable	(30)	(107)
	<b>9,333</b>	<b>10,024</b>

The expenditure charged to the People, Community & Society, Economy, Place & Skills line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>2010/11 Expenditure £000</b>
People Community & Society	642
Economy Places & Skills	235
Performance, Service & Capacity	93
<b>Total Minimum Lease Payments</b>	<b>970</b>
Sublease Payments Receivable	(105)
	<b>865</b>

### Oldham Council as Lessor

#### Operating Leases

The Council leases out land and buildings to third parties under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

	<b>31 March 2011 £000</b>	<b>31 March 2010 £000</b>
Not later than one year	2,663	3,141
Later then one year and not later than five years	7,033	7,468
Later than five years and not later than ten years	8,996	9,953
Later than ten years	218,200	219,472
	<b>236,892</b>	<b>240,034</b>

#### 43. PFI and Similar Contracts

##### **Oldham Library and Lifelong Learning Centre**

2010/11 was the sixth year of a 25 year PFI contract for the construction, maintenance and operation of IT and FM services of the Library and Lifelong Learning centre in the town centre. The Council has rights under the contract to specify the opening times of the facility. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and to maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The building and any plant and equipment installed in them will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement over the year.

##### **Sheltered Housing**

2010/11 was the fifth year of a 30 year PFI contract for the demolition and new build, or refurbishment of, and the provision of management and maintenance services to, sheltered and warden supported properties in the Housing Revenue Account. The Council has rights under the contract to specify arrangements around the demolition new build and refurbishment of the dwelling together with the tenancy management services to be supplied. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to demolish and rebuild/refurbish the dwellings and to maintain them in a minimum acceptable condition over the life of the contract. The dwellings will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement over the year.

##### **Schools**

2010/11 was the third year of a 25 year PFI contract for the construction and maintenance of two secondary schools, Radcliffe and Failsworth, along with the provision of FM and IT services over the life of the contract. The Council has rights under the contract to specify the opening times of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and to maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The schools and any plant and equipment installed in them will transfer to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement over the year.

##### **Chadderton Wellbeing Centre**

2010/11 was the second year of a 30 year LIFT Lease Plus Agreement to build and maintain the Chadderton Wellbeing centre. The Centre incorporates a library, sports centre, café and community rooms. The Council has rights under the contract to specify the opening times of the facility. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and to maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the facility. The Council has the option to purchase the Wellbeing Centre for less than the asset's market value. The Council has judged itself reasonably certain to exercise the option, and the cost of the eventual purchase

has been factored into the Minimum Lease Payments. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred including the repayment of any of the contractor's outstanding debt attributable to the contract. There have been no changes to the arrangement over the year.

### Analysis of Payments due to be made under PFI & Similar contracts

The following table shows payments due to be made under PFI & Similar contracts. All the payments under PFI & Similar contracts are linked in full or in part to Retail Price Index inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but are otherwise fixed. Future Retail Price Index increases have been estimated at 2.5% per annum. Lifecycle replacement costs have been included in the Service charges element.

		Library & Lifelong Learning Centre £000	Schools £000	Sheltered Housing £000	Chadderton Wellbeing Centre £000	Total £000
2011/12	Repayment of Liability	401	1,380	2,181	77	4,039
	Interest	1,383	4,095	7,650	645	13,773
	Service Charges	1,142	2,258	3,342	177	6,919
	<b>Total</b>	<b>2,926</b>	<b>7,733</b>	<b>13,173</b>	<b>899</b>	<b>24,731</b>
2012/13 to 2015/16	Repayment of Liability	1,772	6,100	11,264	347	19,483
	Interest	5,104	15,265	29,437	2,702	52,508
	Service Charges	5,161	10,280	14,052	832	30,325
	<b>Total</b>	<b>12,037</b>	<b>31,645</b>	<b>54,753</b>	<b>3,881</b>	<b>102,316</b>
2016/17 to 2020/21	Repayment of Liability	2,509	8,589	13,232	539	24,869
	Interest	5,319	16,335	33,800	3,704	59,158
	Service Charges	8,024	16,375	25,369	1,218	50,986
	<b>Total</b>	<b>15,852</b>	<b>41,299</b>	<b>72,401</b>	<b>5,461</b>	<b>135,013</b>
2021/22 to 2025/26	Repayment of Liability	3,818	12,530	18,107	376	34,831
	Interest	3,943	12,162	30,139	3,902	50,146
	Service Charges	9,095	18,781	28,820	1,901	58,597
	<b>Total</b>	<b>16,856</b>	<b>43,473</b>	<b>77,066</b>	<b>6,179</b>	<b>143,574</b>
2026/27 to 2030/31	Repayment of Liability	6,115	15,654	17,205	535	39,509
	Interest	2,214	6,837	25,408	4,375	38,834
	Service Charges	9,040	23,441	39,417	2,080	73,978
	<b>Total</b>	<b>17,369</b>	<b>45,932</b>	<b>82,030</b>	<b>6,990</b>	<b>152,321</b>
2031/32 to 2035/36	Repayment of Liability		6,522	32,625	1,231	40,378
	Interest		712	18,902	5,155	24,769
	Service Charges		10,278	35,788	1,523	47,589
	<b>Total</b>		<b>17,512</b>	<b>87,315</b>	<b>7,909</b>	<b>112,736</b>
2036/37 to 2040/41	Repayment of Liability			4,751	5,835	10,586
	Interest			1,440	3,739	5,179
	Service Charges			2,873	5,598	8,471
	<b>Total</b>			<b>9,064</b>	<b>15,172</b>	<b>24,236</b>
	<b>Repayment of Liability- Total</b>	<b>14,615</b>	<b>50,775</b>	<b>99,365</b>	<b>8,940</b>	<b>173,695</b>
	<b>Interest- Total</b>	<b>17,963</b>	<b>55,406</b>	<b>146,776</b>	<b>24,222</b>	<b>244,367</b>
	<b>Service Charges- Total</b>	<b>32,462</b>	<b>81,413</b>	<b>149,661</b>	<b>13,329</b>	<b>276,865</b>
	<b>Grand Total</b>	<b>65,040</b>	<b>187,594</b>	<b>395,802</b>	<b>46,491</b>	<b>694,927</b>

### Analysis of Liabilities as a result of PFI & Similar contracts

The payments to the contractor are described as Unitary payments, however they have been calculated to compensate the contractor for the fair value of the services the contractor provides, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liabilities to pay the contractors for capital expenditure incurred is as follows:

Scheme	Liability 31 March 2009 £000	Additions £000	Repayments £000	Liability 31 March 2010 £000	Additions £000	Repayments £000	Other Movements £000	Liability 31 March 2011 £000
Library & Lifelong Learning Centre	15,284		(339)	14,945		(329)		14,616
Schools	53,435		(1,290)	52,145		(1,370)		50,775
Sheltered Housing	32,208	39,175	(2,483)	68,900	21,554	(2,289)	2	88,167
Chadderton Wellbeing Centre	-	9,049	(31)	9,018		(78)		8,940
<b>Total</b>	<b>100,927</b>	<b>48,224</b>	<b>(4,143)</b>	<b>145,008</b>	<b>21,554</b>	<b>(4,066)</b>	<b>2</b>	<b>162,498</b>

## Assets as a result of PFI & Similar Contracts

	Library & Lifelong Learning Centre £000	Schools £000	Sheltered Housing £000	Chadderton Wellbeing Centre £000	Total £000
Cost Or Valuation					
At 31 March 2009	18,009	56,682	43,729	-	118,420
Additions			39,268	9,049	48,317
Revaluations recognised in Revaluation Reserve			(1,800)		(1,800)
As at 31 March 2010	18,009	56,682	81,197	9,049	164,937
Accumulated Depreciation and Impairment					
At 31 March 2009	-	(1,953)	(12,033)	-	(13,986)
Depreciation Charge	(743)	(1,953)	(2,393)		(5,089)
Depreciation Written out to Revaluation Reserve			1,600		1,600
Impairment Losses/(reversals) recognised in the surplus/Defecit on the Provision of Services			(34,669)		(34,669)
As at 31 March 2010	(743)	(3,906)	(47,495)	-	(52,144)
Net Book Value at 31 March 2009	18,009	54,729	31,696	-	104,434
Net Book Value at 31 March 2010	17,266	52,776	33,702	9,049	112,793
Cost Or Valuation					
At 31 March 2010	18,009	56,682	81,197	9,049	164,937
Additions			21,579		21,554
Revaluations recognised in Revaluation Reserve			(595)		(566)
Revaluations recognised in Surplus/Defecit on Provision of Services			(7)		(12)
Derecognition-disposals		(56,682)			(56,682)
Derecognition- other					
Other movesments in cost or valuation					
As at 31 March 2011	18,009	-	102,174	9,049	129,231
Accumulated Depreciation and Impairment					
Net Book Value at 31 March 2010	(743)	(3,906)	(47,495)	-	(52,144)
Depreciation Charge	(743)	(1,953)	(1,688)	(291)	(4,675)
Depreciation Written out to Revaluation Reserve			538		538
Impairment Losses/(reversals) recognised in the Revaluation Reserve			(5,312)		(5,312)
Impairment Losses/(reversals) recognised in the surplus/Defecit on the Provision of Services			(25,670)		(25,670)
Derecognition - disposals		5,859			5,859
As at 31 March 2011	(1,486)	-	(79,627)	(291)	(81,404)
<b>Net Book Value at 31 March 2010</b>	<b>17,266</b>	<b>52,776</b>	<b>33,702</b>	<b>9,049</b>	<b>112,793</b>
<b>Net Book Value at 31 March 2011</b>	<b>16,523</b>	<b>-</b>	<b>22,547</b>	<b>8,758</b>	<b>47,827</b>

## PFI Schemes not yet operational

### New RC School

A PFI contract for the construction of and provision of services for a new RC High School achieved financial close in 2010/11. The total payments over the life of the contract are expected to be £137m. The School is expected to be completed by October 2012. The Council's financial forecasts have incorporated the costs of this scheme.

### Street Lighting

This is a joint project with Rochdale Council spanning a period of 25 years and includes the replacement of approximately 25,000 street lights in Oldham in the first five years. The service provider will be responsible for all management and maintenance of street lights. The Government review of public sector expenditure delayed confirmation for funding for this project, which was finally confirmed in April 2011. Following further negotiations, the contract for the project was signed on 19 April 2011 and service commenced on 4 July 2011. The unitary charge payments over the life of the project for Oldham are expected to be approximately £111m. Council financial forecasts have incorporated the costs of this scheme.

### Housing (Round 4) PFI Project

This is a 25 year project that will see the transfer of approximately 650 properties to Oldham Inspiral (Great Places Housing Association). The project will be a mixture of property demolition, new build and refurbishment. Inspiral will also be responsible for management and maintenance of the properties. Final discussions are on-going with Government and it is anticipated that project will commence in November 2011. The total unitary charge payments over the life of the contract are expected to be approximately £248m. Council financial forecasts have incorporated the costs of this scheme.

## 44. Impairment Losses

During 2010/11 the Council has recognised impairment losses of £458m of which £11m was offset against previous revaluation gains and the balance of £447m was charged to the Surplus/(Deficit) on the provision of Services. This is analysed below:

	Impairment charges to Surplus/(Deficit)	Impairment charges to revaluation Reserve	Total
	£000	£000	£000
Council Dwellings	380,624	5,312	385,936
Other Land & Buildings	65,584	5,447	71,031
Vehicles, Plant & Equipment	15	-	15
Infrastructure	163	-	163
Community Assets	119	-	119
Property, Plant & Equipment under Construction	587	-	587
Investment Properties	33	-	33
Intangible Assets	82	-	82
<b>Total</b>	<b>447,207</b>	<b>10,759</b>	<b>457,966</b>

The major element was the impairment of Council Dwellings as a result of the LSVT and change in the valuation adjustment factor for social housing. This amounted to £386m of which £5m was offset against previous revaluations, £381m was charged to the HRA.

The Housing Market Renewal Fund programmes in Derker and Werneth have resulted in impairment losses of £33m as a result of reduced land values.

There was £18m of impairment loss on the PFI 2 sheltered housing project. The additions represent the refurbishments undertaken to properties during the year which totalled £21m but that expenditure needs to be impaired to reflect the 35% EUV-SH discount amounting to £7m and a further £14m impairment represents the writing out of old assets that were replaced during the refurbishment programme.

The buildings costs of the five schools that were taken over by the three Academy sponsors were impaired involving £20m. The sponsors took over responsibility for these assets until construction on the new Academies is completed at which point the schools will be demolished prior to sale of the sites.

#### **45. Capitalisation of Borrowing Costs**

The Council has not capitalised any of its borrowing costs during the year.

#### **46. Termination Benefits**

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £8,426k (2009/10 £3,663k). Of this total, £66k is payable to the Executive Director - People Communities & Society, in the form of compensation for loss of office, as disclosed in Note 36. The remaining £8,360k is payable to officers across the Council who were made redundant as part of the Council's budget savings.

#### **47. Pension Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers' Pension Scheme administered by Department for Education. The Scheme provides teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded, the Department for Education uses a notional fund as the basis for calculating the employer's contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11 the Council paid £10.202m to Teachers Pensions in respect of teachers' retirement benefits, representing 13.34% of pensionable pay (2009/10 £10.402m and 13.53%). There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefits basis and detailed in Note 48.

#### **48. Defined Benefit Pension Schemes**

##### **Participation in Pension Schemes**

As part of the terms and conditions of the employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time the employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme which is administered locally by Tameside Metropolitan Borough Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund calculated at a level intended to balance the pension liabilities with investment assets.

### Participation in Pension Schemes

The cost of retirement benefits is recognised in the reported cost of services when they are earned by the employees rather than when they are eventually paid as pensions. However, the charge made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund through the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance through the Movement in Reserves Statement during the year:

2009/10 £000		2010/11 £000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
10,900	current service cost	21,200
600	past service costs	(87,300)
2,300	settlements and curtailments	(700)
	<b>Financing and Investment Income and Expenditure</b>	
38,700	interest cost	47,700
(26,900)	expected return on scheme assets	(39,800)
<b>25,600</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(58,900)</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
214,900	actuarial gains and losses	(137,000)
<b>240,500</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(195,900)</b>
	<b>Movement in Reserves Statement</b>	
25,600	reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(58,900)

2009/10 £000		2010/11 £000
	<b>Actual amount charged against the General Fund Balance for pension in the year</b>	
<b>19,100</b>	employers' contributions payable to the scheme	<b>21,000</b>

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

2009/10 £000		2010/11 £000
562,900	<b>Opening balance at 1 April</b>	939,800
10,900	Current service cost	21,200
38,700	Interest cost	47,700
7,100	Contributions by scheme participants	7,000
341,200	Actuarial gains and losses	(147,300)
(21,200)	Benefits paid	(24,600)
600	Past service costs	(87,300)
(2,700)	Unfunded Benefits	(2,700)
2,300	Curtailments	2,700
-	Settlements	(13,100)
<b>939,800</b>	<b>Closing balance 31 March</b>	<b>743,400</b>

Within these figures there is an unfunded element of a total of £39.5m which has reduced when compared with the £46.0m at 31 March 2010. The £39.5m is comprised of £24.5m for non-teaching staff and £15.0m relating to teachers discretionary payments as the Council is also responsible for the costs of any additional benefits awarded upon early retirements which are outside the terms of the Teachers' scheme.

Reconciliation of fair value of the scheme (plan) assets:

2009/10 £000		2010/11 £000
426,000	<b>Opening balance at 1 April</b>	581,500
26,900	Expected rate of return	39,800
126,300	Actuarial gains and losses	(10,300)
16,400	Employer contributions	18,300
7,100	Contributions by scheme participants	7,000
(21,200)	Benefits paid	(24,600)
-	Settlements	(9,700)
<b>581,500</b>	<b>Closing balance 31 March</b>	<b>602,000</b>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £38.7m (2009/10 £153.4m).

## Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(670,700)	(575,000)	(562,900)	(939,800)	(743,400)
<b>Fair value of assets in the Local Government Pension Scheme</b>					
<b>Surplus/(deficit) in the scheme</b>					
Local Government Pension Scheme	558,300	507,600	426,000	581,500	602,000
<b>Total</b>	<b>(112,400)</b>	<b>(67,400)</b>	<b>(136,900)</b>	<b>(358,300)</b>	<b>(141,400)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £141.4m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £123.442m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 are £17.9m.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

2009/10		2010/11
	<b>Long-term expected rate of return on assets in the scheme:</b>	
7.80%	equity investments	7.50%
5.00%	bonds	4.90%
10.60%	other	10.10%
	<b>Mortality assumptions:</b>	
	<b>Longevity at 65 for current pensioners:</b>	
20.8	men	20.1
24.1	women	22.9
	<b>Longevity at 65 for future pensioners:</b>	
22.8	men	22.5
26.2	women	25
3.80%	<b>Rate of inflation</b>	2.80%
5.30%	<b>Rate of increase in salaries</b>	4.30%
3.80%	<b>Rate of increase in pensions</b>	2.80%
5.50%	<b>Rate for discounting scheme liabilities</b>	5.50%
	<b>Take-up of option to convert annual pension into retirement lump sum</b>	

Rate of increase in salaries are assumed to be 1% until March 2013 reverting to 4.3% thereafter.

In June 2010 the Government announced that with effect from 1 April 2011 public service pensions would be linked to Consumer Price Index (CPI) rather than Retail Price Index (RPI).

This change has had a favourable impact in reducing the overall pension liability by £87.3m. This change has been recognised as a 'change in benefits' within Non Distributed Costs, in the Comprehensive Income and Expenditure Statement, as an Exceptional item on the face of the CIES.

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

2009/10 %		2010/11 %
67%	Equity investments	66%
16%	Debt instruments	17%
17%	Other assets	17%

### History Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of the relevant year as set out in the table below:

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual rate of return on scheme assets	0.6	(18.1)	28.9	(7.6)	(1.0)
Experience gains and losses on liabilities	(4.0)	5.1	0.2	0.1	9.4

## 49. Contingent Liabilities

A contingent liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2011.

- 1) Manchester Airport plc  
In 2009/10 there was a restructure of various loans used to finance capital expenditure that the Airport had agreed to reimburse the Council. As a consequence the loans to the Airport that were previously secured became unsecured but a higher coupon rate became receivable. The loan agreement expires in 2055. No provision has been made in the balance sheet for any potential losses arising from this agreement.
- 2) Pension Guarantees  
The Council has entered into long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulation 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations.

The Best Value Authorities Staff Transfers (Pensions) Direction 2007 made under section 101 of the Local Government Act 2003 means that the Council must secure pension protection for each TUPE transfer which must be the same as, broadly comparable to, or better than, those they had a right to acquire prior to the transfer. This in turn means that the new service providers seek "admitted body" status within the Greater Manchester Pension Fund (GMPF) to comply with the requirement.

The legislative framework governing access to the GMPF means that public bodies can only obtain "admitted body" status if there is a sponsoring body that is willing to provide a guarantee. For contracts with non-public bodies the ultimate responsibility remains with the sponsoring body. The guarantee means that if an admitted body fails to pay its pension obligations to GMPF then the Council will take on those obligations.

The Council has given such a guarantee in respect of: -

- (i) First Choice Homes Oldham Limited (FCHO)
- (ii) Unity Partnership
- (iii) Housing 21
- (iv) NSL Limited
- (v) Allied Publicity Services (Manchester) Limited
- (vi) North Manchester Chamber of Commerce
- (vii) Remploy Limited
- (viii) The Ace Centre North
- (ix) Oldham Disability Alliance
- (x) Oldham Citizen's Advice Bureau
- (xi) Oldham & Rochdale Groundwork Trust
- (xii) Church of England Children's Society
- (xiii) Taylor Shaw – in respect of St. Augustine's and Blue Coat Schools

As at the end of March 2011, no guarantees had been exercised. The Council mitigates its risks by allowing only approved staff to enter into GMPF and offsets any payments due to the recipient of the guarantee against any amount that is overdue in respect of GMPF payments. In addition, if the Council assesses that it is necessary, it requests the recipient of the guarantee to procure an indemnity bond.

The status of FCHO changed to a Registered Provider of Social Housing from 7 February 2011 arising from the stock transfer process. The Council is acting as a guarantor for existing staff, deferred members and existing pensioners as at the transfer date.

- 3) Oldham Coliseum Theatre: Overdraft Guarantee  
In 1997/98, the Council agreed to act as guarantor for up to £0.100m for the overdraft facilities of Oldham Coliseum Theatre. Due to the continued improvement in the financial position of the Theatre there has been no overdraft requirement since 31 March 2005. Any new overdraft facility making use of the guarantee would require approval by the Council.
- 4) Guarantees to Limited Companies  
The Council and certain of its Members are guarantors of several companies limited by guarantee. Rather than paying for issued share capital, members of these companies agree to pay a certain amount in the event of a winding up or other dissolution of the company. Usually these are nominal sums, amounting to no more than a few pounds for all such companies in the Council's ownership and are the maximum of the Council's obligation.
- 5) Trading Standards Prosecution  
In 2009/10, the Council was unsuccessful in its prosecution against a trader which led to the risk that the trader and other individuals may submit a claim against the Council for financial losses incurred as a result of the Council's action. At present it is uncertain whether a claim will be made or the extent of the claim.
- 6) Limeside Housing Area  
As part of the transfer of the Council's housing stock at Limeside the Council gave warranties to Portico Housing relating to the environmental conditions of the site. If the whole of the site were to become uninhabitable due to environmental conditions inherent in the area but not disclosed this could amount to a total liability of approximately £6m. It is not considered that there is any significant likelihood that this warranty will be called upon and as such no provision has been made in the accounts.

- 7) Modesole Limited  
As a result of the Council receiving a distribution from the proceeds of Modesole's sale of its shares in the Midland Hotel & Conference Centre, a liability may arise, the extent of which cannot yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel. In addition, as a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, an indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received of £0.661m and will last for a period of 10 years from the date of the sale, which was completed on 9 August 2005.
- 8) Fitton Hill Housing Area  
As part of the transfer of the Council's housing stock at Fitton Hill the Council gave warranties to Village Housing Association relating to the environmental conditions of the site. The maximum liability is £20m. It is not considered that there is any significant likelihood that this warranty will be called upon and no provision has been made in the accounts.
- 9) Metrolink  
The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Passenger Transport Authority and Executive (PTA/E) and the Department for Transport (DFT) have entered into a partnership funding arrangement for construction of Metrolink Phase 3a. (It should be noted that the Transport for Greater Manchester Committee of the Greater Manchester Combined Authority has now assumed the duties of the former PTA/E).
- Within the agreement the DFT contribution is capped at £244m in cash and the PTA/E and the AGMA Councils are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme, granted full approval, is delivered. The scheme is fully funded at present and the above arrangement will only be operative if the amount is exceeded. Strict monitoring arrangements are in place by all parties to minimise the risk of that happening.
- Approval has also been given for Phase 3b of the scheme and there is a capped DFT grant of £121m for the Ashton and Didsbury sections of the programme, the works pertaining to Oldham are not covered by the grant and are being funded from within the existing financing agreements and agreed contributions.
- 10) Oldham and Rochdale Groundwork Trust  
The Council has agreed, jointly with Rochdale MBC, to provide a cashflow facility to assist the Trust in maintaining its operations due to the time delay it experiences in being paid grants. That facility is, in effect, unsecured and in theory there is a possibility that full repayment may not occur. Regular reviews of the Trust's financial position are undertaken to manage that risk, and there is no reason to consider that any financial loss will be incurred by the Council.
- 11) PFI 2  
The building sub-contractor to the Housing PFI 2 scheme has submitted numerous compensation claims to the Council, which may be of significant value. The Council has rejected these claims and the matter has been to Dispute Resolution Panel which found in the Council's favour. However, Housing 21 do have the right under the contract to progress the matter.
- 12) Grant Claims  
The Council submits grant claims for substantial amounts each year. From time to time interpretation of legislation may be a matter of professional and technical judgement. In this context it may lead to possible grant qualifications by the external auditors. It is not possible to produce a reliable forecast for the cost of any grant qualifications.

The Council also acts as the Accountable Body for a range of grant funding that is paid to third parties. In the role of Accountable Body, the Council has to agree to the repayment of grant should there be a breach of the terms and conditions of the grant. Whilst every effort is taken to administer the grants to minimise any risk of financial loss to the Council, the risk cannot be eliminated. However, it is not possible to make a reliable forecast of any grant clawback arising from Accountable Body status.

13) Homes and Community Agency's Social Housing Grant

The Council has guaranteed the Homes and Community Agency's social housing grant awards from the National Affordable Housing Programme to FCHO. This was a requirement when FCHO was an ALMO.

Even though there has now been a transfer of housing stock to FCHO as a Registered Provider of Social Housing, the guarantees made by the Council prior to stock transfer must remain in place until the homes for which grant has been provided are completed. The guarantees are required in case FCHO 'misuses' the grant funding. The total value of the guarantees still in place is £1.046m.

Given the change in the status of FCHO to a Registered Provider of Social Housing, any further Social Housing Grant awards to FCHO will not require Council guarantees.

14) Stock Transfer Warranties

The Council has agreed to a number of warranties under the stock transfer agreements with FCHO. Such arrangements are common place in such negotiations. The key warranties are as follows:

**a) Asbestos Indemnity**

The Council will indemnify FCHO for all costs, claims and lawsuits against FCHO which arise from any person being exposed to asbestos unless there is negligence on the part of FCHO. The indemnity also covers the cost of removal, treatment or encapsulation of asbestos within properties to be paid by the Council provided that FCHO have firstly spent the £7.782m (inclusive of fees) net cost identified within the Stock Condition Survey and the additional £6m made available by the VAT Sharing agreement.

The indemnity stipulates that both parties should work together on an Asbestos Management Policy which will comply with environmental law and endeavour to reduce the risk of asbestos claims.

Further references are made in Notes 33 and 50.

**b) Contracts Let by FCHO**

The Council will indemnify FCHO, for six years post the transfer date, against all claims, demands, costs, losses and liabilities incurred in connection with any material breach by FCHO of any contract entered into before the date of transfer, provided that FCHO meet the first £250k of any contract liabilities.

Further reference is made in Note 33.

**c) Environmental Pollution**

The Council has warranted that FCHO could claim for a sum of up to £70m for dwellings that have been contaminated by environmental pollution.

At the time of signing the transfer agreement the Council had been in full compliance with Environmental Law and to the best of its knowledge and belief knew of no

circumstances which may prevent this in the future. Also there were no current or pending claims of this nature against the Council.

Further reference is made in Note 33.

## 50. Contingent Assets

A contingent asset is an asset that may be received but only if a certain future event occurs. The Council has identified the following contingent assets as at 31 March 2011.

### 1) Equity Share Scheme

Under the Housing Market Renewal (HMR) initiative which ended on 31 March 2011, the Council acquired a number of properties voluntarily for the purpose of site assembly and the delivery of transformational change to the housing markets that is needed in certain targeted neighbourhoods. A major part of this work is providing sufficient equity release funding (either to renovate existing homes or to enable households to move to newly purchased accommodation). At 31 March 2011, there remains £3.756m of net loans outstanding.

In addition to the HMR funded equity share scheme, the Council also utilises part of the Regional Housing Capital Pot (RHCP) to renovate existing owner occupied homes on the same equity basis. At 31 March 2011, there remains £0.166m of net loans outstanding.

As funding will eventually be repaid to the Council on resale of the properties from both initiatives and as the grants are now un-ringfenced, the receipt will be available to support the Council's capital programme.

### 2) Right to Buy Sharing Agreement

As with other agreed stock transfers, the Council has entered into an agreement with FCHO relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants.

The Council will receive capital receipts at the end of each financial year for any properties sold within the year. The value of receipt is calculated using a formula that takes the net income forgone by FCHO from the total proceeds from the sale of dwellings for that year. There have been no sales from the date of transfer at 7 February 2011 to the 31 March 2011.

### 3) VAT Shelter Arrangements

In normal circumstances, FCHO is not able to reclaim VAT on improvement works to dwellings. The VAT Shelter is an arrangement, used in every transfer since 2002, with HMRC's agreement, whereby FCHO can reclaim VAT on future improvement works to the transferred housing stock. Of the £229.792m of improvement works to be undertaken, an estimated £45.958m of VAT would be recoverable by FCHO over the next 15 years.

The Council has agreed a 50/50 share of the VAT with FCHO, after FCHO has retained the first tranche of recoverable VAT; this is a sum of £14.9m. This first tranche of VAT will be utilised by FCHO within its Business Plan and this is estimated to be within the first 4 years post transfer. FCHO will also retain a second tranche of VAT Shelter savings, totalling £6.0m. This second tranche will be solely used for asbestos works that exceed the value estimated with the Stock Condition Survey of £7.2m, (net of inflation, fees and VAT). This arrangement was agreed to mitigate the Council's risk of a contingent liability through the asbestos warranty. If the total amount of the second tranche is not needed, the remaining balance will be shared under the 50/50 sharing agreement.

The estimated value of VAT Shelter savings for the Council is £12.529m. Currently the spend profile is an even split across all 15 years. The Council will not expect to receive any VAT savings until 2016/17. The savings that are received by the Council will be treated as a capital receipt to support the Council's capital programme.

4) Disposals Clawback Agreement

As part of the stock transfer agreement with FCHO, the Council negotiated a claw back arrangement with the FCHO for any future sales of land that had previously transferred. There are some exceptions to this arrangement which include land that is sold for community benefit, highways and to provide utility supplies. The Council will treat this as a capital receipt to support the capital programme.

## 51. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

### **Overall procedures for managing risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy for 2010/11 which incorporates the prudential indicators was approved by Council on 24 February 2010 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was initially set at £484.653m but increased to £609.653m arising from a change in accounting arrangements. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was initially set at £474.653m but increased to £599.653m also as a result of the change in accounting arrangements. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40% based on the Council's net debt.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made unless they meet the minimum requirements of the investment criteria outlined above. The minimum criteria for investment counterparties include: Oldham Council uses the creditworthiness service provided by Treasury Management Consultants. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

Institutions are split into colour bandings. The Council is able to deposit the following:

- Blue, Nationalised and carries the sovereignty rating of the government that owns it – Highest rated - £18m for up to 2 years
- Purple, Nationalised Banks & Government support – Highest rated - £18m for up to 2 years
- Orange & Co-op Bank - £10m for up to 2 years
- Green - £10m for up to 1 year
- Red - £5m for up to 3 months
- No Colour – nil

The full Investment Strategy for 2010/11 was approved by Full Council on 24 February 2010 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council had a total of £37.4m deposited with a number of banks and financial institutions at 31 March 2011, the full amount is potentially exposed to credit risk, there is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last three financial years.

	Short term Credit rating				Amount at 31 March 2011 £000	Historical Experience of Default %	Historical Experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2010 £000
	Sector	Moody's	Standard & Poors	Fitch				
<b>Deposits with Banks and Financial Institutions</b>					<b>A</b>	<b>B</b>	<b>C</b>	<b>A x B</b>
Coop Bank	Orange	P-1		F2	2,400	-	-	-
RBS -	Blue	P-1	A-1+	F1+	5,000	-	-	-
Santander	Green	P-1	A-1	F1+	10,000	-	-	-
BOS Corporate Ac	Blue	P-1	A-1	F1+	10,000	-	-	-
Prime Rate MM Fund	Purple			F1+	10,000	-	-	-
Customers					42,630	0.3	-	128
					<b>80,030</b>		-	<b>128</b>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
Less than 3 months	10,960	4,648
3 - 6 months	447	264
6 - 12 months	4,291	1,445
more than 12 months	3,829	3,431
	<b>19,527</b>	<b>9,788</b>

### Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the Public Works Loan Board and money markets for access to longer term funds. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 50% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	31 March 2010 £000	31 March 2011 £000
Less than 1 year	79,660	78,085
1 - 2 years	388	-
2 - 5 years	4,669	-
5-10 years	19,758	-
More than 10 years	336,048	132,865
	<b>440,523</b>	<b>210,950</b>

The above analysis within more than ten years category includes principal of £59 million of LOBO's – Lender Option Borrower Option loans that could potentially be called by the lender in the next financial year, (however this is not expected to occur).

All trade and other payables are due to be paid in less than one year.

### Market Risk

The Council is exposed to market risk in terms of its exposure that the value of an instrument will fluctuate because of changes in:

- Interest rate risk
- Price risk
- Foreign exchange rate risk

### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Usual Council policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans, however due to the one off implications with the housing stock transfer there was a temporary requirement to increase this to 100%.

The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	2010/11 £000
Increase in government grant receivable for financing costs	54
Impact on Surplus or Deficit on the Provision of Services	54
Share of overall impact debited to the HRA	26
Decrease in fair value of fixed rate investment assets	374
Impact on Other Comprehensive Income and Expenditure	374
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	1,684

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £12.5m in a number of joint ventures and in local companies. The Council is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the Council can monitor factors that might cause a fall in the value of specific shareholdings.

The £12.5m shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £0.625m gain or loss being recognised in the Other Comprehensive Income and Expenditure for 2010/11.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, and thus have no exposure to loss arising from movements in exchange rates.

## 52. International Financial Reporting Standards

### Introduction to the Adoption of International Financial Reporting Standards (IFRS)

The most significant feature of the 2010/11 accounts is the change in presentation from previous financial years because of the introduction of IFRS. In 2009/10 the Council prepared its accounts in accordance with UK General Accepted Accounting Practices (UK GAAP) as adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) under the Statement of Recommended Practice (SoRP). In accordance with the requirements set out in the Government Budget Statement of March 2008 the Council is required to prepare its financial statements for the year ended 31 March 2011 in accordance with IFRS, including the restatement of comparative information for the year ended 31 March 2010.

In order to ensure that the very exacting requirements of IFRS were addressed appropriately, I created a dedicated team of Finance officers and implemented a detailed plan of action so that all the necessary steps in the transition to IFRS were taken. The production of the accounts

under IFRS has required a lot of hard work and has been very much a team effort with officers from other Council Directorates and the Unity Partnership making a valuable contribution.

### **Basis of preparation of Financial Statements**

I have prepared the financial statements, included the restated figures in accordance with IFRS as adopted by the European Union's International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act applicable to companies reporting under IFRS. International Accounting Standard 1 (IAS1) 'Presentation of Financial Statements' is effective for the year ended 31 March 2011 and this standard requires a change in the format and presentation of the Council's primary statements but has had no impact on reported balances or outturn performance.

I have also prepared the accounts having regard to IAS 1 exemptions for "First-Time Adoption of International Financial Reporting Standards" which permits those adopting IFRS for the first time to take advantage of regulations to mitigate the impact on the general fund balance and therefore not affect Council Tax levels.

The date of transition to IFRS for Oldham Council is the first day of the comparative financial period, i.e. 1 April 2009 and in order to fully explain how the financial position is affected by the transition from UK GAAP to IFRS, I have prepared the following narrative and supporting tables to explain some of the key figures and changes between years in the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and Cash Flow Statements.

#### **a) Movement in Reserves Statement**

The Movement in Reserves Statement replaces the Statement of Movement in General Fund Balance and the Movement in Reserves note. The Movement in Reserves Statement is a new requirement and has been restated for the financial year 2009/10 for IFRS. In summary, the key adjusted figures to note are:

	<b>Total Reserves £m</b>
Balance at 31 March 2009 – UK GAAP	(303.314)
IFRS Adjustment 2008/09	(146.513)
Balance at 31 March 2009 – IFRS	(449.827)
Increase/Decrease (movement) in Year	(255.795)
Balance at 31 March 2010 carried forward	(194.032)

The change in the figures is primarily due to the balances moving to both useable and unusable reserves, the most significant movements being:

- A new reserve has been created for Capital Grants unapplied with the balance on this account at the year end 31 March 2010 at £11.128m
- Balances moved to earmarked reserves of £19m for revenue grants received in advance

#### **b) Comprehensive Income and Expenditure Statement (CIES)**

This replaces the Income and Expenditure account and now includes what was classified as the Statement of Total Recognised Gains and Losses under UK GAAP.

The CIES has been restated under IFRS for the financial year 2009/10 and the various adjustments required to restate the figures included in the 2009/10 accounts are included in the following statement. The adjustments to the statement are listed in the notes below.

In summary, some of the key adjusted figures to note are:

	<b>2009/10 Published Accounts Position £m</b>	<b>Restated 2009/10 Accounts Position £m</b>
Cost of Services	243.973	240.700
Deficit on the Provision of Services	57.126	43.253
Adjustments required by statute and non statutory proper practices	(56.377)	(42.504)
General fund balance brought forward	(20.329)	(20.329)
Increase in year	0.749	0.749
General fund balance carried forward	(19.580)	(19.580)

Whilst the Other Comprehensive Income and Expenditure figures remain the same, the overall change is as a result of balances moving to reserves which changes the CIES but does not impact on the General Fund Balance. The significant changes to the CIES are as follows:

- Government grants of £24.842m have been taken to the reserves by recognising the grants in the year as income received in the year. Under UK GAAP these grants would not have been recognised in the year until they could be matched to expenditure
- An employee accrual has been charged in the year for holidays untaken at the 31 March 2010. Under UK GAAP this accrual was not required

c) Balance Sheet

The Balance Sheet has been restated for IFRS as at 1 April 2009 and 1 April 2010. In summary, the key adjusted figures to note are:

	<b>Balance Sheet at 31 March 2009 under UKGAAP £m</b>	<b>Balance Sheet at 1 April 2009 under IFRS £m</b>	<b>Balance Sheet at 31 March 2010 under UKGAAP £m</b>	<b>Balance Sheet at 1 April 2010 under IFRS £m</b>
Long Term Assets	1,093	1,098	1,092	1,083
Current Assets	155	143	100	94
Current Liabilities	(155)	(137)	(121)	(103)
Long Term Liabilities	(790)	(654)	(1,037)	(880)
Net Assets	303	450	34	194
<b>Total Reserves</b>	<b>(303)</b>	<b>(450)</b>	<b>(34)</b>	<b>(194)</b>

The main movement on the Balance Sheet is the change to the Government Grants Deferred account which now moves from long term liabilities to the Capital Adjustment account. The total movement is £150.0m. Other changes are new reserves as stated above which again move balances from liabilities to the reserves.

d) Cash flow

The cash flow is split into four sections under IFRS: operating activities investing activities; financing activities and cash and cash equivalents. The indirect method of completing the cash flow statement has been used as this is recommended under IFRS. The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period whereas under UK GAAP this statement did not include movements in cash equivalents. The

2009/10 Cash Flow Statement under UK GAAP was based on an improvement of £4.4m from a net overdrawn position of £9.3m to £4.9m. The inclusion of cash equivalents boosted the opening and closing positions by £29.2m to £19.9m and by £5.1m to £0.2m respectively so the restated 2009/10 Cash Flow Statement sets out the movements underlying a £19.7m reduction in cash and cash equivalents.

## **New Reporting Requirements under IFRS**

There are a number of major reporting requirements and changes arising from IFRS that have directly influenced the figures set out above. I set out some explanations of these new reporting developments in the following sections of the Foreword:

### **a) Employee Benefits**

Under IAS 19 Employee Benefits, the employee benefits disclosures consist of 4 elements

- Short term benefits such as wages, salaries and National Insurance contributions, annual leave and flexi time leave
- Post Employment benefits such as pensions and other retirement benefits
- Other long term benefits such as long service leave
- Termination benefits

The Council currently has around 10,000 employees including school employees and these have been split into two separate categories for the purpose of calculating employee benefits, these being:

- school term time only staff (6,500)
- office based and other staff (3,500)

The main requirement in the presentation of employee benefits is the calculation of outstanding leave and flexi time as at the year end. In order to undertake this calculation for 2010/11 and for the restated accounts, a sample was taken of outstanding annual leave as at 1 April, using the Human Resources/Payroll system for manual staff and a 10% sample was taken of employees who were office based. In addition, CIPFA guidance was used to calculate leave for school term time employees, as contractual arrangements stipulate that they are subject to a 19 days accrual of leave entitlement since the statutory end date of the Spring Term is 30 April each year.

The total cost of untaken leave, flexitime and time in lieu for non school based staff at 1 April 2009 was calculated as 1.4% of the total employees cost at £1.7m (£1.7m for 2009/10). In addition, the calculation of the untaken leave flexitime and time in lieu for teachers and term time only staff comprised 4.4% of the total salaries. The cost was calculated at £5m (£5.1m for 2009/10).

A charge has therefore to be included within the CIES to recognise the liability of £6.7m as at 1 April 2009 (£6.8m for 2009/10), and this increase in expenditure is cancelled out by regulations put in place to make sure that any changes do not impact on the Council's Council Tax requirement. The creditor is shown as the Short Term Compensated Absences Account within Unusable Reserves in the Balance Sheet.

The Council has considered other short term employee benefits. The impact of these benefits has been considered not to be material. No other benefits such as maternity benefits impact on the financial statements.

## b) Property, Plant and Equipment

Under IAS 16 Property Plant and Equipment, there have been many changes to the way the Council accounts for these assets. The key change is that prior to the introduction of IFRS the statutory accounts contained categories of 'Investment Properties' and 'Surplus Assets held for Disposal' (and these had balances as at 1 April 2009 of £109.5m and £6.9m respectively) but under IFRS these balances have to be re-categorised into 'Assets Held for Sale,' 'Investment Properties' and 'Other Land and Buildings each of which is explained in the following paragraphs.

### Assets Held for Sale

Under IFRS 5 assets are re-categorised as Assets Held for Sale when they meet the requirement of being available for sale which are that the:

- asset must be available for immediate sale in its present condition subject to the terms and conditions that are usual and customary for sales of such assets (or disposal groups)
- sale must be highly probable and the appropriate level of management must be committed to a plan to sell the asset with an active programme initiated to locate a buyer
- asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- sale must be expected to be completed within one year from the date of classification
- action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- value of the assets should be the lower of the value before being reclassified as held for sale or market value less cost to sell.

The Council has had to identify separately the value of those assets which it planned to sell in the 12 months following the current accounting period. The current value of these assets has had to be transferred out of fixed assets, and included in the current assets part of the Balance Sheet, under a new line entitled 'assets held for sale'. Following a detailed review with the Council's Property Unit, it was agreed that there was a plan to sell assets with a value of £1.353m at 1 April 2009 and £0.351m at the end of 2009/10.

### Investment Property

Under IAS 40 (Investment Property) all property that is held solely to gain income or is being held for capital appreciation is classed as Investment Property. All property in this category is held at fair value and is not depreciated and is held at the lower of original carrying value or fair value less cost to sell.

- investment properties are held on the balance sheet at fair value and no balance is held on the revaluation reserve account as this balance is transferred to the capital adjustment accounts
- the amount transferred to investment property as at 1 April 2009 was £17.172m and £18.048m as at 31 March 2010

### Other Land and Buildings

Assets not fitting the criteria of assets held for sale or investment properties have been classed as other land and buildings.

The table below shows the asset re-categorisation under IFRS

Asset Category	Value at 31 March 2009 under UKGAAP £000	Movement £000	Revaluation under IFRS £000	Value at 1 April 2009 under IFRS £000	Movement £000	Transfers under UKGAAP to IFRS £000	Value at 31 March 2010 under IFRS £000
<b>Council Dwellings</b>	438,754	(4,329)	-	434,425	(9,131)	-	<b>425,294</b>
<b>Other Land and Buildings</b>	385,112	105,238	-	490,350	1,365	(5,763)	<b>485,952</b>
<b>Surplus Assets</b>	6,950	(6,950)	-	-	1,650	(1,650)	-
<b>Investment Property under UK GAAP</b>	109,549	(109,549)	-	-	(4,141)	4,141	-
<b>Investment Property under IFRS</b>	-	16,095	1,077	17,172	876	-	<b>18,048</b>
<b>Asset Held for Sale</b>	-	1,353	-	1,353	(1,002)	-	<b>351</b>

### Component Accounting

Component accounting is also a new concept and involves the splitting of assets into significant component parts. The Council has adopted a policy in which assets are broken into five components which have standardised life spans and are split by using standard percentages of the building.

The main purpose of component accounting is to produce accurate primary statements with the cost of the use of an asset correctly reflected in the CIES by carrying the correct depreciation associated with fixed assets and also with the correct values of fixed assets presented in the Balance Sheet.

In future years the additional information about assets that will be available should enable the Council to gain a better understanding of the asset lives and the useful lives of the component parts. This should enhance the management of the Councils assets and also allow more clarity in the planning of revenue and capital expenditure.

Components have been recognised in the financial year 2010/11 where:

- There has been a revaluation of assets
- There has been an acquisition of assets within the financial year
- Enhancement expenditure has been incurred within the financial year

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

### c) Leases

Under IAS 17 (Leases) a lease can be split into a finance lease or an operating lease. The classification of finance and operating leases has changed under IFRS so that where a lease effectively gives the user of the assets most of the 'risks and rewards' of the asset (the position for most leased items), the capital value of the asset and associated debt will have to be calculated and included on the Council's Balance Sheet.

The Council has 5,313 property leases, both of property leased by the Council from external owners ('leased in'), plus properties owned by the Council, but leased to other parties ('leased out'), almost all of which are classed as operating leases. A large percentage have peppercorn or very small rentals. Given the large number of small leases, and the negligible potential effect on the accounts of any changes, there has only been an examination of those leases where the annual rental paid or received was over £2,000, and/or the capital value of the asset is estimated at over £10,000.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's investment in the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Assets held under finance leases are recognised as assets of the Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and the reduction of the lease obligation in order to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the CIES, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Council's general policy on borrowing costs.

Under IFRS, the following assets have now been recognised as finance leases.

Asset	Value at 1 April 2009 £000	Liability at 1 April 2009 £000	Value at 31 March 2010 £000	Liability at 31 March 2010 £000
School	1,737	(787)	1,158	(513)
Equipment	70	(70)	35	(39)

d) Arrangements which Contain a Lease

Under IFRIC 4 (Arrangements which Contain a Lease) where the Council pays an external contractor for services which involve use of a contractor's assets (for example, computer services, or refuse collection vehicles), the contract will have to be assessed to determine whether the contractor's assets and associated debt may have to be included on the Council's Balance Sheet. In order to comply with this requirement, all of the significant contracts which the Council operates were reviewed to assess whether any contain elements that are classed as 'implied leases'. Three potential implied leases have been identified, with only two treated as such as follows:

- Vehicles – an implied lease was identified in respect of vehicles leased for a period of five years, painted with Oldham Council logo and used solely to carry out work under the contract with Oldham Council
- Printers – an implied lease was identified in respect of large volume printers which are located within the Council's premises and are connected to the IT network
- IT equipment – an implied lease was identified in respect of IT equipment, but costs have been included within the operating lease category as the assets are low value and have short life spans

The table below highlights the costs identified relating to implied lease (finance lease) assets

<b>Asset</b>	<b>Value at 1 April 2009 £000</b>	<b>Liability at 1 April 2009 £000</b>	<b>Value at 31 March 2010 £000</b>	<b>Liability at 31 March 2010 £000</b>
Vehicles	2,809	(3,364)	2,464	(3,090)
Printers	276	(246)	206	(209)

e) Service Concessions

Under IFRIC 12 (Service Concessions), the interest element of the PFI contracts that are currently operational are separated out and listed in the CIES. The assets and liabilities associated with the interest payable are already included within the Balance Sheet.

f) Government Grants

There are substantial changes to the treatment of grants and contributions under IFRS, and this change has the largest impact on the Balance Sheet. Prior to IFRS, capital grants were allocated to the relevant revenue account over the same period as the asset financed by the grant was depreciated. This preserved the matching principle whereby capital expenditure and the grant or contribution which funded the asset, were charged to the revenue account in the same proportions each year and over the same life. IFRS however requires capital grants to be allocated in full to the CIES, in the year(s) the grant is spent.

IFRS also requires that the conditions attached to Government grants should be reviewed and the treatment in the accounts varies as to whether the conditions have been met so that:

- If the conditions of grants received in advance have been met then the grant has been recognised in the CIES
- If the conditions are met and the grant is unspent the grant has been included in reserves
- If the grant has been received and the conditions not met the grant has been treated as a creditor
- Grants and contributions have not been recognised until there is reasonable assurance that the Council will comply with the conditions attached to them and when grants have been awarded and the conditions of grant relate to performance criteria, it is the conditions giving rise to costs and expenses which have determined the periods over which the grant is earned.

The revised presentation of Government Grants had the effect of moving £130m at 1 April 2009 and £20m as at the end of 2009/10 from Government Grants deferred to the Capital Adjustment Account. In addition, two new reserves have been created to allocate grant where no conditions exist but the money has not been spent. These are called the Capital Grant Unapplied Reserve (£11m balance at 31 March 2010) and , within Earmarked Reserves shown in Note 8, the Revenue Grants Reserve (£19m balance at 31 March 2010).

g) Presentational Adjustments

Under IFRS a number of other changes to the presentation of the financial statements have been made:

- Long-term construction contract balances have been moved from inventory to their appropriate headings within debtors and creditors
- Cash and cash equivalents – A new policy on cash has been agreed to ensure IFRS compliance so that any short term investments with a term of three months or less are classified as cash and cash equivalents. This has resulted in £29.2 m at 1 April 2009

- and £24m at the end of 2009/10 being transferred from short term investments to cash and cash equivalents
- Provisions – These have been split into long and short term provisions with any provision which is likely to be required within one year being classified as short term
  - Levies – are now presented on a separate line in the CIES
  - Significant management judgement in applying accounting policies have also been presented and included in Note 3 to the accounts
  - Assumptions also have to be made about the future and other major sources of estimation uncertainty and these are included in Note 4 to the accounts

### 53. Exceptional Items

The transfer of housing stock has had a significant effect on the statement of accounts. The Council transferred 11,868 of its dwellings, 990 garages and sheds, 68 shops and various plots of land. As part of the transfer the Council benefited from the redemption by the government of its housing-related PWLB debt (known as overhanging debt including associated premia and discount) worth £207.7m in 2010/11.

To assist in interpretation, the impairment loss is reported as a separate exceptional items line on the Comprehensive Income and Expenditure Statement in 2010/11 of £346.4m. It is important to recognise that this is a one-off "paper" loss arising from the accounting entries surrounding the transfer. The Council's other services are not affected by the reported loss. The Council's balance sheet value, has fallen, representing the reduction in fixed assets, matched by reduction in the revaluation and capital adjustment account in the unusable reserves.

During 2010/11 the Department for Communities and Local Government revised the social housing valuation no discount factor. The effect on the Council's valuation was a reduction from 48% to 35%. The impairment loss charged to the Comprehensive Income and Expenditure Statement is shown as an exceptional item in 2010/11 of £32.4m. It is important to note that this is an accounting book entry and does not impact on the Council's available resources.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. This change has had a significant impact on the statement of accounts reducing the overall liability by £87.3m in 2010/11. This change has been recognised as a "change in benefit" which results in a credit to past service costs and has been charged, as an exceptional item, to Non Distributed Costs in the CIES.

# Supplementary Financial Statements

## 4.0 Supplementary Financial Statements and Explanatory Notes

### 4.1 Housing Revenue Account (HRA)

#### 4.1.1 Housing Revenue Account Income and Expenditure Account

2009/10 £000		2010/11 £000	Notes
	<b>Expenditure</b>		
14,408	Repairs and Maintenance	13,442	
18,595	Supervision and Management	17,427	
528	Rent, Rates and Other Charges	220	
50,055	Depreciation and Impairment of Fixed Assets	381,071	
145	Debt Management Costs	145	
824	Increased Provision for Bad or Doubtful Debts	8	
<b>84,555</b>	<b>Total Expenditure</b>	<b>412,313</b>	
	<b>Income</b>		
(38,454)	Dwellings Rents	(32,399)	
(707)	Non-dwellings Rents	(518)	
(2,337)	Charges for Services and Facilities	(2,032)	
(7,996)	Contributions towards Expenditure	(208,904)	
(17,661)	Housing Revenue Account Subsidy receivable	(14,401)	
<b>(67,155)</b>	<b>Total Income</b>	<b>(258,254)</b>	
<b>17,400</b>	<b>Net Cost of HRA Services before Share of Corporate &amp; Democratic Core</b>	<b>154,059</b>	
478	HRA Services Share of Corporate and Democratic Core	384	
<b>17,878</b>	<b>Net Cost of HRA Services</b>	<b>154,443</b>	
	<b>HRA share of operating income and expenditure included in the Authority's Income and Expenditure Account</b>		
(888)	(Gain) / Loss on sale of HRA Fixed Assets	(661)	
14,810	Interest Payable and Similar Charges	33,750	
(152)	Interest and Investment Income	(132)	
<b>31,648</b>	<b>(Surplus) / Deficit for the year on HRA Services</b>	<b>187,400</b>	

H8

#### Reconciliation of Net Cost of HRA Services to Comprehensive Income and Expenditure Statement

	Net Expenditure £000
CIES – Local Authority Housing	<b>(16,792)</b>
CIES – Exceptional item – HRA-EUV-SH Adjustment	32,449
CIES – Exceptional item – HRA-LSVT	138,786
<b>Net Income/(Cost) for HRA Services</b>	<b>154,443</b>

#### 4.1.2 Statement of Movement in the Housing Revenue Account

2009/10 £000		2010/11 £000	Notes
(13,216)	Balance on the HRA at the end of the previous year	(17,694)	
31,648	(Surplus) / Deficit for the year on the HRA I & E Account	187,400	
(36,126)	Adjustments between accounting basis and funding basis under statute	(181,060)	
(4,478)	(Increase) / Decrease in the HRA Balance	6,340	
<b>(17,694)</b>	<b>Balance on the HRA at the end of the current year</b>	<b>(11,354)</b>	

2009/10 £000	Note to Movement on the HRA Statement	2010/11 £000	
	<b>Items included in HRA I &amp; E account but excluded from the movement on HRA balance for the year</b>		
1,815	Amortisation of premiums and discounts	3,021	
(41,851)	Difference - any other in accordance with Code	(375,805)	
79	Government Grants Deferred	-	
888	Gain or Loss on Sale of HRA Fixed Assets	661	
<b>(39,069)</b>		<b>(360,601)</b>	
	<b>Items not included in HRA I&amp;E Account but included in the movement on HRA balance for the year</b>		
2,943	Voluntary Set Aside for debt repayment	2,351	
-	Large Scale Voluntary Transfer of Debt Set Aside	185,262	
-	Capital Expenditure funded by CERA	3,450	
<b>2,943</b>		<b>191,063</b>	
<b>(36,126)</b>	<b>Net additional amount required by statute</b>	<b>(169,538)</b>	

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

### 4.1.3 Explanatory Notes to the Housing Revenue Account

#### H1. Housing Stock – Numbers

At 31 March 2011, the Council had a total housing stock of 1,765 dwellings. The tables below set out the changes to the stock since 1 April 2010.

Note 33 details the sales of the majority of the stock to FCHO, who became a Registered Provider of Social Housing on 7 February 2011. FCHO, however, continues to manage 336 properties that did not form part of the stock transfer.

Oldham Retirement Housing Partnership (ORHP) manages 1,429 dwellings within the Sheltered Housing PFI Scheme.

#### Total housing stock owned by the Council:

	Houses and Bungalows	Flats and Maisonettes	Hostel Bed Spaces	Total
Stock at 1 April 2010	<b>7,079</b>	<b>6,700</b>	<b>20</b>	<b>13,799</b>
Large Scale Voluntary Transfer	(6,099)	(5,683)	-	(11,782)
Sales	(21)	(4)	-	(25)
Demolitions	(32)	(158)	-	(190)
Conversions	(1)	(36)	-	(37)
<b>Stock as at 31 March 2011</b>	<b>926</b>	<b>819</b>	<b>20</b>	<b>1,765</b>

#### Properties managed by FCHO:

	Houses and Bungalows	Flats and Maisonettes	Hostel Bed Spaces	Total
Stock at 1 April 2010	<b>6,265</b>	<b>6,048</b>	<b>20</b>	<b>12,333</b>
Large Scale Voluntary Transfer	(6099)	(5,683)	-	(11,782)
Sales	(21)	(4)	-	(25)
Demolitions	(32)	(158)	-	(190)
<b>Stock as at 31 March 2011</b>	<b>113</b>	<b>203</b>	<b>20</b>	<b>336</b>

#### Properties managed by OHRP:

	Houses and Bungalows	Flats and Maisonettes	Hostel Bed Spaces	Total
Stock at 1 April 2010	<b>814</b>	<b>652</b>	<b>0</b>	<b>1,466</b>
Conversions	(1)	(36)	0	(37)
<b>Stock as at 31 March 2011</b>	<b>813</b>	<b>616</b>	<b>0</b>	<b>1429</b>

## H2. Housing Revenue Account – Fixed Asset Valuations

The balance sheet value of HRA assets was as follows:

<b>31 March 2010 Restated £000</b>		<b>31 March 2011 £000</b>
422,957	Dwellings	34,291
4,954	Other Operational Property	4,962
-	Non-operational Assets	-
<b>427,911</b>	<b>Total</b>	<b>39,253</b>

The reduction in the value of dwellings arose from the Housing Stock transfer to First Choice Homes Oldham Ltd. Other operational property consists of offices and other operational bases.

Total capital receipts in the HRA amounted to £1.456m in 2010/11 and were split as follows:

	<b>£000</b>
Dwellings	1,456
Non-operational assets	-

The balance sheet value allows for the discounts to which tenants are entitled.

## H3. Value of Housing Revenue Account Vacant Possession Dwellings

In accordance with Government guidance, valuation of council dwellings have been reduced by a regional adjustment factor in recognition of their status as social housing. This reduced factor was 35% in 2010/11, this has changed from 48% in 2009/10. As a consequence the Council recognises council dwellings at a value of £34.8m (£423.0m at 31 March 2010). Additionally to the changing factor from 48% to 35%, the value has fallen because of the reduced housing stock remaining with the Council following the stock transfer to First Choice Homes Oldham Ltd. At vacant possession therefore the same dwellings would have a value of £123.8m (£890.8m at 31 March 2010) recognising the economic cost to the Government of providing council housing at less than open market rents of £89m (£467.8m in 2009/10).

## H4. Major Repairs Reserve

The Major Repairs Reserve is an earmarked fund to which the Council transfers an amount annually to support capital spending on council dwellings.

<b>2009/10 £000</b>		<b>2010/11 £000</b>
617	Balance at 1 April	-
9,127	Amount transferred to Major Repairs Reserve in year	6,784
(58)	Amount for Depreciation on non dwellings	-
(8,820)	Amount used to Finance Capital Expenditure	(6,784)
(866)	Amount for Depreciation on Dwellings in Excess of MRA	-
<b>-</b>	<b>Balance at 31 March</b>	<b>-</b>

## H5. Type and Source of Capital Expenditure 2010/11

Capital Expenditure	2010/11 £000	Financing	2010/11 £000
Capital Expenditure in year on dwellings	10,324	Government Grants	521
		Non Government Grants	686
		Major Repairs Reserve	6,784
		Revenue Contribution to Capital Expenditure	2,333
		Agreed Council Resources	
		Unsupported Borrowings	
<b>Total</b>	<b>10,324</b>	<b>Total</b>	<b>10,324</b>

## H6. Depreciation of Assets

	2010/11		
	Operational Assets £000	Non-operational Assets £000	Total £000
Balance 1 April 2010	18,406	-	18,406
Depreciation written off during the year	(739)	-	(739)
Depreciation during the year	2,172	-	2,172
<b>Balance 31 March 2011</b>	<b>19,839</b>	<b>-</b>	<b>19,839</b>

## H7. Revenue Expenditure Funded from Capital Under Statute

As part of the housing stock transfer to First Choice Homes Oldham Limited, the Council incurred £1.5m costs that are eligible to be defrayed from the capital receipt. These set-up costs are a charge to the Housing Revenue Account but have been financed by the £1.5m capital receipt received.

2009/10 £000		2010/11 £000
-	Redundancy Costs	19
-	Stock Transfer Set-up Costs	1,500
-		<b>1,519</b>

## H8. Housing Revenue Account Subsidy

The Government subsidises the Authority's council housing, and the calculation of how this subsidy figure is arrived at is detailed below:

2009/10 £000		2010/11 £000
	<b>Notional Expenditure</b>	
23,987	Management and Maintenance	20,951
8,051	Capital charges	5,747
300	Adjustment for previous years	(314)
302	Caps and limits	-
9,899	PFI Grant	9,899
6,912	Other Allowances	6,093
8,203	Major Repairs Allowance	6,786
<b>57,654</b>		<b>49,162</b>
	<b>Notional Income</b>	
(39,985)	Notional Dwelling Rent Income	(34,757)
(8)	Interest on Mortgages	(4)
<b>17,661</b>	<b>Deficit (subsidy payable)</b>	<b>14,401</b>
-	Less :	-
(4,709)	PFI Grant used to fund capital element	-
	Housing PFI Grant interest element	-
<b>12,952</b>		<b>14,401</b>

## H9. Rent Arrears

Arrears totalled £0.096m at 31 March 2011 (£2.806m at 31 March 2010) and are analysed below:

31 March 2010 £000		31 March 2011 £000
1,456	Due from Former Tenants	53
1,350	Due From Current Tenants	43
<b>2,806</b>	<b>Total Arrears</b>	<b>96</b>

Rent arrears as a percentage of total rent payable during the year were 0.290% (2009/10 6.24%)

The provision in respect of bad debts at 31 March 2011 was £0.070m (£2.085m at 31 March 2010).

## 4.2 Collection Fund

### 4.2.1 Collection Fund Income and Expenditure Account

2009/10 £000		2010/11 £000	Note
(76,044)	<b>Income</b>	(76,906)	C2
(20,827)	Council Tax Payers		
(54,829)	Transfers from General Fund:		
	- Council Tax Benefits	(21,880)	
	Income from Business Ratepayers	(50,919)	C3
<b>(151,700)</b>		<b>(149,705)</b>	
	<b>Expenditure</b>		
	Precepts:		
83,919	- Oldham Council	84,749	
8,454	- Greater Manchester Police Authority	9,059	
3,235	- Greater Manchester Fire & Rescue Authority	3,305	
	Business Rates:		
54,511	- Payments to National Pool	50,612	C3
318	- Costs of Collection	307	
	Bad and Doubtful Debts		
1,299	- Provisions	608	C5
45	- Write Offs	814	
924	Transfer of Collection Fund Surplus	518	C4
<b>152,705</b>		<b>149,972</b>	
<b>1,005</b>	Deficit / (Surplus) for the year	<b>267</b>	
	<b>Collection Fund Balance</b>		
(2,038)	Balance brought forward at 1 April	(1,033)	
1,005	Deficit / (Surplus) for the year (as above)	267	
<b>(1,033)</b>	Balance carried forward at 31 March	<b>(766)</b>	
	<b>Allocated to:</b>		
(868)	- Oldham	(632)	
(119)	- Greater Manchester Police Authority	(97)	
(46)	- Greater Manchester Fire and Rescue Authority	(37)	
<b>(1,033)</b>		<b>(766)</b>	

### 4.2.2 Explanatory Notes to the Collection Fund

#### C1. General

The Council has a statutory requirement to operate a distinct Collection Fund as a separate account to the General Fund.

The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Surpluses declared by the Collection Fund are apportioned to the precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the precepting bodies in the following year. For Oldham the precepting bodies are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

## C2. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 9 valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of Band D dwellings).

The Council Tax base for 2010/11 was 62,769 (62,969 in 2009/10) calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwellings
A Reduced	119	$\frac{5}{9}$	66
A	41,872	$\frac{6}{9}$	27,915
B	14,433	$\frac{7}{9}$	11,226
C	13,679	$\frac{8}{9}$	12,159
D	5,973	1	5,973
E	2,901	$\frac{11}{9}$	3,546
F	1,341	$\frac{13}{9}$	1,937
G	785	$\frac{15}{9}$	1,308
H	42	$\frac{18}{9}$	84
Less allowance for non-collection		2.25%	(1,445)
<b>Tax Base for the Calculation of Council Tax</b>			<b>62,769</b>

Those who are "disabled" are entitled to have their dwelling reduced to the next lowest band for the calculation of Council Tax. As band 'A' is the lowest band, 'A reduced' has been introduced to give effect to this reduction for those in band A properties. Income received from Council Tax payers in 2010/11 was £76.9m (£76.0m 2009/10).

## C3. Income from Business Ratepayers

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values multiplied by a uniform business rate set nationally by Central Government. The total amount due, less certain allowances, is paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, pays to Local Authorities their share of the pool, such share being based on a standard amount per head of the local adult population.

For 2010/11 Oldham collected £50.9m (£54.8m in 2009/10) from business rate payers and its contribution to the Pool amounted to £50.6m (£54.5m in 2009/10).

The total non-domestic rateable value at the year-end is £153.1m (£134.8m in 2009/10). The national multipliers for 2010/11 were 40.7p for qualifying Small Businesses, and 41.4p for non-qualifying Small Businesses and all other Businesses (48.1p and 48.5p respectively in 2009/10).

#### C4. Contributions to Collection Fund Surpluses and Deficits

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. In January 2010 there was an estimated surplus of £518,333 (£564,000 surplus in January 2009) which was distributed as shown in the table below.

2009/10 £000		2010/11 £000
502	Oldham Council	455
44	Greater Manchester Police Authority	46
18	Greater Manchester Fire & Rescue Authority	17
<b>564</b>	<b>Total</b>	<b>518</b>

The actual surplus transferred in 2009/10 was £924k which included an amount due for previous years which had not been transferred.

#### C5. Council Tax Bad Debt Provision – Accounting Policy

The Collection Fund account provides for bad debts on the Council Tax based on prior years' experience and current collection rates.

2009/10 £000		2010/11 £000
4,323	Balance at 1 April	5,577
(45)	Write-offs during year for previous years	(814)
1,299	Contributions to provisions during year	1,422
1,254	Net Increase/(Decrease) in Provision	608
<b>5,577</b>	<b>Balance at 31 March</b>	<b>6,185</b>

The Council's proportion of these write-offs and increase in provision are shown below.

2009/10 £000		2010/11 £000
4,333	Balance at 1 April	4,892
(39)	Write-offs during year for previous years	(711)
598	Contributions to provisions during year	1,216
559	Net Increase/(Decrease) in Provision	505
<b>4,892</b>	<b>Balance at 31 March</b>	<b>5,397</b>

## 5.0 The Group Accounts

### 1 Introduction

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. Before group accounts can be produced, the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship between the Council and the entity
- Determine on the grounds of materiality whether group accounts should be prepared

### 2 Inclusion within the Group Accounts

#### Included

The Council has relationships with a number of entities over which it has varying degrees of control or influence. The code of practice requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below.

#### Subsidiary

"An entity is a subsidiary of the reporting Authority if the Authority is able to exercise control over the operating and financial policies of the entity and the Authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control."

The following entities are classified as subsidiaries of Oldham Council and have been consolidated:

First Choice Homes Oldham Ltd  
Oldham Educational Enterprises Ltd

#### Associate

"An entity other than a subsidiary or joint venture in which the reporting Authority has a participating interest and over whose operating and financial policies the reporting Authority is able to exercise significant influence."

The following entities are classified as an associate of Oldham Council and will be consolidated:

Meridian Development Co Ltd  
Unity Partnership Ltd  
Community 1<sup>st</sup> Oldham (Chadderton) Ltd

#### Joint Venture

"An entity in which the reporting Authority has an interest on a long term basis and which is jointly controlled by the reporting Authority and one or more other entities under a contractual or other binding arrangement."

Oldham Council currently has no material Joint Venture arrangements with any other entities.

More detailed information regarding the individual subsidiaries and associates of Oldham Council are included in note G2.

## Excluded

A number of entities have not been included in the Group Accounts on the grounds of materiality, and details of the Authority's relationship with each of them are given in explanatory note G1.

## 5.1 Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Council and its subsidiaries and associates as a whole, together with any appropriations to reserves.

2009/10 Gross Expend. Restated £000	2009/10 Gross Income Restated £000	2009/10 Net Expend. Restated £000		Note	2010/11 Gross Expend. £000	2010/11 Gross Income £000	2010/11 Net Expend. £000
97,476	(33,112)	64,364	Adult Social Care		98,954	(31,964)	66,990
59,020	(39,564)	19,456	Central Services		49,659	(32,182)	17,477
5,106	(407)	4,699	Corporate and Democratic Core		6,186	-	6,186
306,350	(245,532)	60,818	Children's and Education Services		346,612	(252,667)	93,945
57,057	(25,437)	31,620	Cultural, Environmental and Planning Services		59,240	(17,742)	41,498
593	-	593	Exceptional Costs - HRS-LSVT		346,450	(207,664)	138,786
-	-	-	Exceptional Costs - HRS-EUV-SH Adjustment		32,449	-	32,449
-	-	-	Exceptional Costs - Pension Inflation change		(87,300)	-	(87,300)
22,966	(10,848)	12,118	Highways, Roads and Transport Services		22,290	(4,682)	17,608
81,131	(91,448)	(10,317)	Local Authority Housing (HRA)		53,005	(48,416)	4,589
82,577	(66,934)	15,643	Other Housing Services		127,743	(104,730)	23,013
16,815	-	16,815	Non Distributed Costs		2,184	-	2,184
<b>729,091</b>	<b>(513,282)</b>	<b>215,809</b>	<b>Cost Of Services</b>	<b>29</b>	<b>1,057,472</b>	<b>(700,047)</b>	<b>357,425</b>
		<b>32,880</b>	<b>Other Operating Expenditure</b>				<b>86,200</b>
		<b>39,337</b>	<b>Financing and Investment Income and Expenditure</b>				<b>76,622</b>
		<b>(268,785)</b>	<b>Taxation and Non-Specific Grant Income</b>				<b>(311,020)</b>
		<b>19,241</b>	<b>(Surplus) or Deficit on Provision of Services</b>				<b>209,227</b>
		<b>470</b>	<b>Share of surplus or deficit on the provision of services by Associate</b>				<b>(194)</b>
		<b>6</b>	<b>Tax Expense of Subsidiaries</b>				<b>1</b>
		<b>1</b>	<b>Tax Expense of Associates</b>				<b>-</b>
			<b>Surplus/Deficit on the disposal of FCHO</b>				<b>4,195</b>
		<b>19,718</b>	<b>Group Surplus or Deficit</b>	<b>29</b>			<b>213,229</b>
			<b>Other Comprehensive Income and Expenditure</b>				
		(2,358)	Revaluation (gains)/losses				21,891
		238,002	Actuarial (gains)/losses on pension assets/liabilities				(158,241)
		(64)	Share of other comprehensive income and expenditure of Associates and Joint Ventures				(29)
		<b>255,298</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>76,850</b>

## 5.2 Reconciliation of Oldham Council's Comprehensive Income and Expenditure to the Group Comprehensive Income and Expenditure

The reconciliation uses the group balance after the removal of intercompany between the Council and its subsidiaries as shown in Note G10.

2009/10 £000		2010/11 £000
230,525	Comprehensive Income and Expenditure for Oldham Council	48,139
24,360	Comprehensive Income and Expenditure:	
413	- Subsidiaries	28,920
	- Associates	(209)
<b>255,298</b>	<b>Group Account Comprehensive Income and Expenditure for the year</b>	<b>76,850</b>

### 5.3 Group Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Group, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The "Surplus or (Deficit) on the provision of services" line shows the true economic cost of providing the Group's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The "Net Increase / Decrease before Transfers to Earmarked Reserves" line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Group.

	Usable Reserves										
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Subsidiaries and Associates £000	Total Reserves £000
Balance at 31 March 2009 UK Gaap	(12,712)	(28,294)	(13,216)	(617)	(4,016)	(5,755)	(64,610)	(244,459)	(309,069)	(1,523)	(310,592)
IFRS adjustments in 2008/09		(14,855)					(14,855)	(125,903)	(140,758)		(140,758)
Balance at 31 March 2009 IFRS Restated	(12,712)	(43,149)	(13,216)	(617)	(4,016)	(5,755)	(79,465)	(370,362)	(449,827)	(1,523)	(451,350)
Movement in reserves during 2009/10											
Surplus or (deficit) on provision of services	11,469		6,514		-	-	17,983	-	17,983	1,735	19,718
Other Comprehensive Expenditure and Income							-	212,542	212,542	23,038	235,580
Total Comprehensive Expenditure and Income	11,469	-	6,514	-	-	-	17,983	212,542	230,525	24,773	255,298
Accounts	136		25,134				25,270		25,270	(25,270)	-
Net Increase (Decrease) before transfers	11,605	-	31,648	-	-	-	43,253	212,542	255,795	(497)	255,298
Adjustments between accounting basis & funding basis under regulations (Note 7)	(20,449)		(36,126)	617	(935)	(5,373)	(62,266)	62,266	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(8,844)	-	(4,478)	617	(935)	(5,373)	(19,013)	274,808	255,795	(497)	255,298
Transfers to/from Earmarked Reserves (Note 8)	8,834	(8,834)	-	-	-	-	-	-	-	-	-
Increase/Decrease (movement) in Year	(10)	(8,834)	(4,478)	617	(935)	(5,373)	(19,013)	274,808	255,795	(497)	255,298
Balance at 31 March 2010 carried forward	(12,722)	(51,983)	(17,694)	-	(4,951)	(11,128)	(98,478)	(95,554)	(194,032)	(2,020)	(196,052)

	Usable Reserves										
	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Subsidiaries and Associates £000	Total Reserves £000
Balance at 31 March 2010 IFRS Restated	(12,722)	(51,983)	(17,694)	-	(4,951)	(11,128)	(98,478)	(95,554)	(194,032)	(2,020)	(196,052)
Movement in reserves during 2010/11											
Surplus or (deficit) on provision of services	94	-	163,164	-	-	-	163,258	-	163,257	49,972	213,229
Other Comprehensive Expenditure and Income								(115,128)	(115,128)	(21,251)	(136,379)
Total Comprehensive Expenditure and Income	94	-	163,164	-	-	-	163,258	(115,128)	48,129	28,721	76,850
Adjustments Between Group Accounts and Council Accounts	(1,779)		24,238				22,459		22,459	(22,459)	-
Net Increase (Decrease) before transfers	(1,685)	-	187,402	-	-	-	185,717	(115,128)	70,588	6,262	76,850
Adjustments between accounting basis & funding basis under regulations (Note 7)	377		(181,062)		(293)	(20,160)	(201,138)	201,138	-	-	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(1,308)		6,340	-	(293)	(20,160)	(15,422)	86,010	70,588	6,262	76,850
Transfers to/from Earmarked Reserves (Note 8)	4,470	(4,470)	-	-	-	-	-	-	-	-	-
Increase/Decrease (movement) in Year	3,162	(4,470)	6,340	-	(293)	(20,160)	(15,422)	86,010	70,588	6,262	76,850
Balance at 31 March 2011 carried forward	(9,560)	(56,453)	(11,354)	-	(5,244)	(31,288)	(113,900)	(9,544)	(123,444)	4,242	(119,202)

## 5.4 Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiaries and associates as a whole. It shows the value of the group assets and liabilities at the end of the financial year.

2008/09 Restated £000	2009/10 Restated £000		Note	2010/11 £000
1,048,130	1,034,581	Property, Plant & Equipment		557,812
-	-	Surplus assets held for disposal		-
17,172	18,048	Investment Property		18,378
4,924	4,412	Intangible Assets		4,113
14,199	17,623	Long Term Investments		12,540
1,924	1,511	Investments in Associates and Joint Ventures		1,720
8,167	9,366	Long Term Debtors		8,910
<b>1,094,516</b>	<b>1,085,541</b>	<b>Long Term Assets</b>		<b>603,473</b>
50,143	15,318	Short Term Investments		5,154
2,164	965	Inventories	G7	755
67,041	71,346	Short Term Debtors	G8	52,275
21,435	540	Cash and Cash Equivalents		26,162
1,353	351	Assets held for sale (<1yr)		163
-	-	Current Tax Assets		-
-	-	Provisions		-
<b>142,136</b>	<b>88,520</b>	<b>Current Assets</b>		<b>84,509</b>
-	-	Cash and Cash Equivalents		-
(49,208)	(16,565)	Short Term Borrowing		(25,927)
(73,182)	(71,015)	Short Term Creditors	G9	(68,032)
(3,239)	(4,216)	Provisions		(10,133)
(6,604)	(6,842)	Short Term Liabilities		(6,371)
(38)	(6)	Current Tax Liability		-
<b>(132,271)</b>	<b>(98,644)</b>	<b>Current Liabilities</b>		<b>(110,463)</b>
129	-	Long Term Creditors		-
(9,526)	(5,381)	Provisions		(13,175)
(396,383)	(360,631)	Long Term Borrowing		(132,865)
(247,251)	(513,353)	Other Long Term Liabilities		(311,548)
-	-	Deferred Tax Liability		-
-	-	Capital Grant Receipt in Advance		(719)
<b>(653,031)</b>	<b>(879,365)</b>	<b>Long Term Liabilities</b>		<b>(458,307)</b>
<b>451,350</b>	<b>196,052</b>	<b>Net Assets</b>		<b>119,212</b>
(80,257)	(99,784)	<b>Usable reserves</b>		(108,961)
(371,093)	(96,268)	<b>Unusable Reserves</b>		(10,251)
<b>(451,350)</b>	<b>(196,052)</b>	<b>Total Reserves</b>		<b>(119,212)</b>

## 5.5 Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiaries and associates during the year.

2009/10 Restated £000		Note	2010/11 £000
(19,141)	Net surplus or (deficit) on the provision of services		(213,342)
101,727	Adjustment to surplus or deficit on the provision of services for noncash movements		476,170
(38,740)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(8,184)
<b>43,846</b>	<b>Net Cash flows from operating activities</b>		<b>254,644</b>
7,033	Net Cash flows from Investing Activities		(6,946)
(71,767)	Net Cash flows from Financing Activities		(222,076)
<b>(20,888)</b>	<b>Net increase or decrease in cash and cash equivalents</b>		<b>25,622</b>
21,428	<b>Cash and cash equivalents at the beginning of the reporting period</b>		540
<b>540</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>26,162</b>

## 5.6 Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

### G1. Group Accounting Policies

The Accounting Policies of Subsidiary and Associate companies have been aligned with the Council's Accounting Policies. The Council's Accounting Policies are contained in Note 1 - Accounting Policies of the Council's Explanatory Notes to the Core Financial Statements, where applicable.

Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to Subsidiary and Associated Companies.

Notes with the Group Accounts have not been provided except where there are material differences.

Subsidiaries are consolidated on a 'line-by line' basis.

Associates are consolidated using the equity method.

Intra-group transactions and balances between the Council and Subsidiary Companies have been eliminated in the Group Accounts.

Where Group Companies do not have the same reporting date as the Council, Management Accounts of the Group companies to the reporting date of the Council have been obtained and used for consolidation, unless it is not considered practical or material.

## G2. Bodies Not Consolidated

The following have not been consolidated into the Group Accounts.

<u>Entity</u>	<u>Reason</u>
Oldham Economic Development Association Limited	Subsidiary although not material.
Southlink Developments Ltd	Subsidiary although not material.
Oldham Property Partnership	Minority Interest and group share not material.
Manchester Airport Group PLC	Minority Interest and group share not material.
Rochdale Canal Trust	Joint venture although not material.

Further details can be seen either below or in Note 3 to the Group Accounts.

### Oldham Economic Development Association Limited (OEDA)

OEDA is a company without share capital which is 100% owned by the Council, and which was set up to aid economic development and regeneration across the Borough. The company has remained inactive in the past year because of the restrictions which apply to companies wholly owned by a Local Authority.

The audited accounts for 2010/11 are summarised below. Audited accounts for 2010/11 are not available at this time, however, no material movements have occurred in 2010/11.

<b>Year ended 31 March 2009 £000</b>		<b>Year ended 31 March 2010 £000</b>
763	Net assets	762
(1)	Surplus (Deficit) – before tax	(1)
(1)	Surplus (Deficit) – after tax	(1)

Further information and details of the financial statements of Oldham Economic Developments Association can be obtained from The Company Secretary at PO Box 33, Civic Centre, West Street, Oldham.

### Southlink Developments Limited

The principal activity of the company is that of a property developer. However the development land now owned by the company is reduced to a few acres located on the Southlink Business Park. The continued inactivity of the company is the result of the restrictions which apply to companies wholly owned by a Local Authority.

The audited accounts for 2009/10 are summarised below. Audited accounts for 2010/11 are not available at this time, however, no material movements have occurred in 2010/11.

<b>Year ended 31 March 2009 £</b>		<b>Year ended 31 March 2010 £</b>
(6,259)	Net liabilities	(7,339)
(930)	Surplus (Deficit) – before tax	(1080)
(930)	Surplus (Deficit) – after tax	(1080)

Further information and details of the financial statements Southlink Developments Limited can be obtained from The Company Secretary at PO Box 33, Civic Centre, West Street, Oldham, OL1 1UL.

### **Rochdale Canal Trust Limited**

The Rochdale Canal Trust Limited was incorporated in England and Wales on 4 February 1986 and is a charitable company, limited by guarantee. The Trust has continued to operate as the co-ordinator of Local Authority approval of spending plans for the restoration and maintenance of the Rochdale Canal.

The audited accounts for 2009/10 are summarised below. Audited accounts for 2010/11 are not available at this time, however, no material movements have occurred in 2010/11.

<b>Year ended 31 March 2009 £</b>		<b>Year ended 31 March 2010 £</b>
(1,203)	Net liabilities	(1,242)
(39)	Surplus (Deficit) – before tax	(40)
(39)	Surplus (Deficit) – after tax	(40)

Further information and details of the financial statements Rochdale Canal Trust Limited can be obtained from The Trust Secretary at PO Box 33, Civic Centre, West Street, Oldham, OL1 1UL.

## **G3. Bodies Consolidated**

Five bodies have been consolidated into the Council's 2010/11 Group Accounts as set out below:

### **First Choice Homes Oldham Limited (FCHO) - Subsidiary**

FCHO was formed in March 2002 as an "Arms Length Management Organisation". It was a company "limited by guarantee" meaning it had no share capital. The Council was the sole guarantor of the company in the event of a winding up for an amount of not more than £1. As at 7 February 2011, FCHO changed status from an "Arms Length Management Organisation" to a Registered Provider of Social Housing. As a result the Council no longer has control of FCHO and FCHO was removed from the Group Accounts as at 7 February 2011. The loss on de-recognition is shown on the face of the Group Comprehensive Income & Expenditure Statement.

The main objectives of FCHO are delivering major repairs and improvement to bring Council homes up to the Decent Homes Standard, rent collection, dealing with arrears and debt counselling, maintenance, managing lettings and dealing with empty properties.

As FCHO is only consolidated in the Group Accounts for a portion of the financial year the Group Accounts for 2010/11 are not fully comparable with those for 2009/10.

The audited accounts for the period to 7 February 11 are not available at this time. The unaudited figures are summarised below. These figures have been amended in line with the Group Accounting Policies for inclusion in the Accounts.

Year ended 31 March 2010 £000		Period ended 7 February 2011 £000
5,806	Net assets	(665)
605	Surplus (Deficit) – before tax	(6,471)
599	Surplus (Deficit) – after tax	(6,471)

Further information and details of the financial statements of FCHO can be obtained from The Company Secretary, First Choice Homes Oldham Ltd, 1 Media Square, Phoenix Street, Oldham, OL1 1AN.

### **Oldham Educational Enterprises Limited (OEE) - Subsidiary**

OEE is a company that invests in properties and estates, leasing out such property and providing services for the upkeep and maintenance.

On 2 September 1999 the company entered into an overriding lease with the Council regarding a property in Oldham town centre called Henshaw House. On the same date the company also purchased two other sites from the Council, Roundthorn Road and Harmony Street. On the 30 March 2007 the entire issued share capital of the company was acquired by the Council.

The audited accounts for the year ended 31 May 2010, are summarised below. These figures have been amended in line with the Group Accounting Policies for inclusion in the Accounts along with the use of Management Accounts to 31 March 2011.

Year ended 31 May 2009 £000		Year ended 31 May 2010 £000
(3,650)	Net assets (liabilities)	(4,160)
(508)	Deficit – before tax	(510)
(508)	Deficit – after tax	(510)

Further information and details of the financial statements of OEE can be obtained from the Company Secretary, PO Box 33, Civic Centre, West Street, Oldham.

### **Unity Partnership Ltd (Unity) - Associate**

Unity came into being on 1 April 2007. It was made up of the Council, Mouchel and HBS (with both companies later merging) and is a private company limited by shares. The Council owns one third of the voting rights of Unity.

Unity was formed to deliver services in the following areas:

- Customer services
- Exchequer services
- Information and Communication Technology
- Highways services
- Property services

The unaudited accounts for 2010/11 are summarised below.

<b>Year ended 31 March 2010 £000</b>		<b>Year ended 31 March 2011 £000</b>
(1,678)	Net assets	(1,086)
(1,248)	Surplus (Deficit) – before tax	617
(1,248)	Surplus (Deficit) – after tax	617

Further information and details of the financial statements of Unity can be obtained from The Company Secretary, Parvis Road, West Byfleet, Surrey, KT14 6EZ.

### **Meridian - Associate**

The Council had provided loans and grants to fund the development of the Meridian Business Centre which was developed by Interurban Limited in the 1970s. Meridian Development Company Ltd (MDCL) was established during 1995/96 as a company involving the Council and a partner for the purchase and development of Lumb Mill, Delph, Saddleworth. As part of these arrangements Interurban Limited then became a 100% subsidiary of MDCL with Interurban Limited retaining its ownership of the Meridian Business Centre.

MDCL sold the two Business Centres it operates at Saddleworth and Hollinwood to Biz Space Ltd in January 2008.

The Council's shareholding in MDCL is 27.2% of the voting shares and 59.1% of the non voting shares.

The audited accounts for MDCL for 2010/11 are not available at this time. The unaudited figures are summarised below. These are the accounts that have been used for consolidation as movements between 28 February and 31 March in any given year are not considered material.

<b>Year ended 28 February 2010 £000</b>		<b>Year ended 28 February 2011 £000</b>
8,006	Net assets	8,032
23	Surplus (Deficit) – before tax	75
18	Surplus (Deficit) – after tax	59
-	Dividends received	-

Further information and details of the financial statements of Meridian Development Company can be obtained from the Company Secretary, Hollinwood Business Centre, Albert Street, Hollinwood, Oldham.

### **Community 1<sup>st</sup> Oldham (Chadderton) Ltd - Associate**

Community 1<sup>st</sup> Oldham (Chadderton) Ltd was incorporated on 29 March 2008 and commenced trading on 30 April 2008. The principal activity of the company is the development and property management of a Multi-Purpose Health & Wellbeing Centre in Chadderton. The Centre opened on 26 October 2009.

The Council has a 20% shareholding. The company's unaudited accounts for 2010 are summarised below. These figures have been amended in line with the Group Accounting Policies for inclusion in the Accounts along with the use of Management Accounts to 31 March 2011.

Year ended 31 December 2009 £000		Year ended 31 December 2010 £000
1,673	Net assets (Liabilities)	2,041
(342)	Surplus (Deficit) – before tax	(51)
(238)	Surplus (Deficit) – after tax	(31)

#### G4. Operating Activities

The cash flows for operating activities include the following items:

a) Adjust net surplus or deficit on the provision of services for non cash movements

31 March 2010 £000		31 March 2011 £000
100,052	Depreciation/Impairment	428,307
9,153	REFCUS	18,734
2,698	Impairment Debtors	(1,602)
12,768	Increase/(Decrease) in Creditors	7,926
(6,485)	(Increase)/Decrease in Debtors	28,656
1,199	(Increase)/Decrease in Inventories	209
(17,169)	Pensions Liability	(59,094)
(3,087)	Contributions to/(from) Provisions	14,157
2,635	Other non-cash adjustments	38,883
(37)	Corporation Tax paid	(6)
<b>101,727</b>		<b>476,170</b>

b) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities

31 March 2010 £000		31 March 2011 £000
(36,864)	Capital Grants credited to surplus or deficit on the provisions of services	(74,209)
(1,876)	Intangible Assets	66,025
<b>(38,740)</b>		<b>(8,184)</b>

c) Interest received, interest paid and dividends received

31 March 2010 £000		31 March 2011 £000
2,767	Interest received	1,563
(31,822)	Interest paid	(29,002)
1,000	Dividends received	1,000
<b>(28,055)</b>		<b>(26,439)</b>

#### G5. Cash Flows from Investing Activities

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
(60,236)	Purchase of property, plant and equipment, investment property and intangible assets	(97,611)
(5,000)	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
4,932	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,796
33,500	Sale of short-term and long-term investments	15,000
	Net cash flow on loss of control of FCHO	(4,031)
33,837	Capital grants received	73,900
<b>7,033</b>		<b>(6,946)</b>

#### G6. Cash Flows from Financing Activities

<b>31 March 2010 £000</b>		<b>31 March 2011 £000</b>
12,449	Cash receipts of short-term and long-term borrowing	27,545
-	Other receipts from financing activities	-
(4,695)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6,147)
(79,508)	Repayments of short-term and long-term borrowing	(243,893)
(13)	Billing Authorities - Council Tax and NNDR adjustments	419
<b>(71,767)</b>		<b>(222,076)</b>

## G7. Inventories

2008/09 £000	2009/10 £000		2010/11 £000
1,681	701	<b>Stocks</b>	755
483	264	Oldham Council	-
-	-	First Choice Homes Oldham Ltd	-
		Oldham Educational Enterprises Ltd	
<b>2,164</b>	<b>965</b>	<b>Total</b>	<b>755</b>

## G8. Debtors

2008/09 £000	2009/10 £000		2010/11 £000
65,017	69,281	<b>Debtors</b>	52,109
1,930	1,971	Oldham Council	-
94	94	First Choice Homes Oldham Ltd	166
		Oldham Educational Enterprises Ltd	
<b>67,041</b>	<b>71,346</b>	<b>Total</b>	<b>52,275</b>

### Oldham Council Single Entity to Group Reconciliation

31 March 2009 £000		31 March 2010	31 March 2011 £000
69,732	Single Entity Accounts Figure	76,727	58,223
(4,715)	Intragroup Adjustment	(7,446)	(6,114)
65,017	Group Accounts Figure	69,281	52,109

## G9. Creditors

2008/09 £000	2009/10 £000		2010/11 £000
(69,806)	(66,822)	<b>Creditors</b>	(67,366)
(3,329)	(3,720)	Oldham Council	-
(47)	(473)	First Choice Homes Oldham Ltd	(666)
		Oldham Educational Enterprises Ltd	
<b>(73,182)</b>	<b>(71,015)</b>	<b>Total</b>	<b>(68,032)</b>

### Oldham Council Single Entity to Group Reconciliation

31 March 2009 £000		31 March 2010	31 March 2011 £000
(78,863)	Single Entity Accounts Figure	(75,213)	(67,366)
9,057	Intragroup Adjustment	8,391	-
(69,806)	Group Accounts Figure	(66,822)	(67,366)

**G10. Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement**

	Usable Reserves								Unusable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Other Useable Reserves	Total Usable Reserves		
2009/10	£000	£000	£000	£000	£000			£000	£000	£000
Sale/Purchases of assets with subsidiaries								-		-
Sale/Purchase of goods and services from subsidiaries	136		25,134					25,270		25,270
<b>Total Adjustments between Group Accounts and Authority Accounts</b>	<b>136</b>	<b>-</b>	<b>25,134</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,270</b>		<b>25,270</b>

	Usable Reserves								Unusable Reserves	Total Authority Reserves
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Other Useable Reserves	Total Usable Reserves		
2010/11	£000	£000	£000	£000	£000			£000	£000	£000
Sale/Purchases of assets with subsidiaries								-		-
Sale/Purchase of goods and services from subsidiaries	(1,779)		24,238					22,459		22,459
<b>Total Adjustments between Group Accounts and Authority Accounts</b>	<b>(1,779)</b>	<b>-</b>	<b>24,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,459</b>		<b>22,459</b>

## 6.0 Other Statements

### 6.1 Annual Governance Statement 2010/11

#### Scope of Responsibility

Oldham Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Oldham Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness issues.

In discharging this overall responsibility, Oldham Council is responsible for putting in place proper arrangements for the governance of its affairs including internal control, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Oldham Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.oldham.gov.uk](http://www.oldham.gov.uk) or can be obtained from Mark Stenson, Head of Corporate Governance at Oldham Council. This Annual Governance Statement sets out how Oldham has complied with this Code and also meets the requirement of regulation 4(3) of the Accounts and Audit (England) Regulations 2011, and accompanies the 2010/11 Final Accounts of the Council. The Annual Governance Statement will be subject to detailed review by the Audit Committee in advance of it approving the audited final accounts.

#### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the aims, objectives and policies of the Authority and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Oldham Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact (should they be realised), and to manage them efficiently, effectively and economically.

The governance framework has been in place at Oldham Council for the year ended 31 March 2011 and up to the date of the production of the annual report and statement of accounts.

#### The Governance Framework

The Council's control environment encompasses the strategies, policies, plans, procedures, structures, processes, attitudes, behaviour and actions required to deliver good governance for the citizens of Oldham. The key elements of good governance arrangements in Oldham Council are:

#### Communicating the Authority's Vision

The Council's strategic objectives have been identified and are set out in the Corporate Plan. These have been aligned to establish a clear link between Central Government priorities, the priorities for the Council as identified with its partners, involvement of the local community, and the work of the Council. The Council's Corporate Plan is subject to an annual review to update the Council's priorities to supplement the Plan agreed at Council on 21 July 2010.

## **Core Values**

The Core Values of the Council were established within the Council's cultural change and development programme, the Trust Oldham Initiative. The development of these values and behaviours involved over 400 staff. These are that staff will:

- Help make Oldham a place of choice
- Value each other
- Have integrity
- Deliver their best at all times

## **Engagement and Consultation with the Community**

The Council is fully committed to community engagement and consultation. The authority works closely with other local public bodies, community and voluntary groups via a partnership approach to ensure effective delivery of its services.

The Council also operates District Partnerships which has a membership of both elected members and co-opted local representatives. These partnerships are supported by Council resources which are spent on local priorities by the District Partnership.

The agreed District Partnerships are:

- Chadderton
- East Oldham
- Failsworth and Hollinwood
- Royton, Shaw and Crompton
- Saddleworth and Lees
- West Oldham

## **Clear Management Accountability**

The Council is managed by a Cabinet system as set out in the agreed Council Constitution, which sets out the scheme of delegation between elected Members and Officers. Members of the Cabinet are held to account by a system of Scrutiny which is also set out in the Constitution. Scrutiny of Executive decisions is undertaken by the:

- Overview and Scrutiny Management Board
- Overview and Scrutiny Performance and Value for Money Select Committee
- Overview and Scrutiny Health and Well-being Select Group
- Safer and Stronger Communities Select Group
- Overview and Scrutiny Economic Prosperity Select Group

There are also two independent committees which undertake important roles in holding both Members and Officers to account:

- The Standards Committee which reviews the conduct of elected Members
- The Audit Committee which reviews matters of financial administration, internal control and approving the final accounts of the Council

To implement the agreed policies at officer level the Executive Management Team, this consists of the Chief Executive, Executive Directors, Assistant Chief Executive and Chief of Staff meets on a weekly basis. The representation of the Borough Treasurer as the Section 151 Officer and the Borough Solicitor as the Monitoring Officer on an as and when required basis ensures that the key Statutory Officers are represented at the most Senior Level. This is supported by Directorate Management Teams, which meet on a regular basis to devolve the agreed policy of the Council at an Operational Level.

## **Ensuring Development Needs for Members and Senior Officers are met**

The Council is committed to developing the skills of both Members and Senior Officers in order to enable a continuous improvement in the services provided.

All officers are covered by the Corporate Performance Appraisal system, which ensures that their performance and development needs are reviewed on a regular basis. A full leadership development and cultural change training programme, Trust Oldham has been delivered throughout 2009/10 and in 2010/11. This will link directly to the performance objectives for each Senior Officer and Cabinet Member.

A full training programme for both established and newly elected members is under development within the Organisational Development Service to ensure they have all the necessary skills and legislative training to discharge their duties. This will be fully implemented in 2011/12 and address the issues raised in Inspection reports about an area the Council needs to address.

## **Facilitation of Policy and Decision Making**

The Council has agreed a Constitution that sets out how it operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. This Constitution is regularly reviewed and a comprehensive update was agreed by Council at its meeting in May 2010 to ensure it remained up to date. In 2011/12 further work is underway led by the Borough Solicitor and Head of Corporate Governance to ensure it remains fit for purpose with an aim to report to the Council at its meeting in July. On an annual basis the Borough Solicitor supported by key officers will undertake an annual review of the Constitution.

The Constitution sets out the delegated responsibilities for the Council, Cabinet, Individual Cabinet Portfolio Holders, Committees and the powers that are delegated to key Officers. The scheme of delegation clearly sets out the levels at which decisions can be made.

Decisions taken under delegated powers are recorded electronically and are reported on a regular basis via the Council's Electronic Decision Making Recording System (EDRS). The Council updated this system in 2010/11.

All meetings of the Cabinet and key Committees are included in the Council's Forward Plan, which is publicised and available to the public.

## **Ensuring Quality Outcomes and Efficient Use of Resources**

All Executive Directors and Assistant Executive Directors prepare Directorate and Divisional Plans that contain the key actions and performance targets necessary to deliver the strategic objectives of the organisation as outlined in the Corporate Plan.

The Council has a Performance Management Framework for the whole organisation, which monitors performance against national, local performance indicators and progress against the priorities set within its Business Plans. Information on performance is reported via quarterly Directorate and Council Performance Reports and where necessary monthly reports, Directorate Information Standards Groups, and Senior Management Meetings, Leadership and Cabinet Sessions and the Overview and Scrutiny Performance and Value for Money Select Committee. Performance targets and outcomes are reported to stakeholders and bodies that externally review the Council's performance; such as the Care Quality Commission, Office for Standards in Education and the Audit Commission.

The Council seeks to obtain value for money via a number of arrangements:

- A co-ordinated approach to Procurement across Directorates to ensure separate initiatives within Directorates are brought together to ensure economies of scale to the Council is achieved
- Developing joint financial and performance reports
- Linking into the various Association of Greater Manchester Authority Initiatives to look at saving money including closer working with willing partners
- A robust year on year process for budget challenge when the Council agrees resources for each financial year
- The appointment of efficiency partners with an agreed programme of work in a number of operational and back office areas to assist the Council to make efficiency savings
- The development of the Repositioning Oldham initiative in 2010/11 to reflect that the environment the Council is going to operate in will change in the future

The Council has an Approved Risk Management Strategy that enables it to effectively assist the achievement of its objectives, alongside national and local performance indicators. A Corporate Risk Register now an integral part of the Corporate Plan supports this, which is in the process of being updated to support the Corporate Plan.

Key Officers have been consulted upon by the Head of Corporate Governance to assess what should be considered for inclusion in the Annual Governance Statement. It is supported by a detailed assessment of the issues considered for inclusion.

The Council identifies efficiencies and monitors their implementation primarily through its budget strategy and monitoring processes.

The Council is currently reviewing its Workforce Strategy for relaunch in 2011/12 and clearly this will underpin the delivery of all current and future policies, strategies and objectives and impact on the efficient and effective use of resources and quality outcomes.

### **Ensuring Compliance with Established Policies, Procedures, Laws and Regulations**

Executive Directors supported by Assistant Executive Directors are responsible for ensuring that they establish and maintain effective systems of internal control, complying with legislation, the Council's Constitution and key Financial Procedure Rules. This includes responding to recommendations by Inspectorates.

The respective roles of the Section 151 Officer and the Monitoring Officer ensure legality, financial prudence, and transparency in transactions.

The Council also places reliance on external assurance providers, such as the Audit Commission, Office for Standards in Education, and Care Quality Commission, and any recommendations arising are acted upon and monitored through the scrutiny process. The Council has a public complaints procedure that allows the Local Government Ombudsman to investigate and report its findings. This ensures that lessons can be learned to prevent repeated occurrences.

Both the Standards and Audit Committees take a proactive approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council's processes for both members and officers. Both of these Committees are chaired by an Independent Member to ensure its work is non political. To improve the feedback to the Council on its work the Audit Committee, in July of each year, will produce its annual report of its work for consideration at a full Council meeting.

### **Developing, Communicating and Embedding Codes of Conduct**

Members have, in accordance with the Local Government Act 2000, adopted the National Code of Conduct. The Council also operates a Standards Committee with appropriate representation by Independent Members including a Chair who is not an elected member where allegations into breaches of the Code by Members can be raised.

Employees are bound by the various Codes of Conduct, which have been agreed with the Unions setting out acceptable standards of behaviour. The Codes of Conduct are supported by other further guidance where it is felt to be suitable e.g. on the acceptable private use of ICT provided by the Council for staff.

There is a Members and Officers relationship protocol, which has been prepared in accordance with best practice.

### **Financial Management of the Council**

The financial framework of the Council is structured through the Finance and Contract Procedure Rules plus the Land and Property Protocol, which are set out in the Constitution and follow best professional practice as set out in Chartered Institute of Public Finance and Accountancy's guidance. A system of regular management information, administrative procedures (including division of duties), management supervision, and a system of delegation and accountability support these. Such procedures seek to ensure that transactions are authorised and that material errors or irregularities are either prevented or would be detected within a timely period.

Maintenance of an effective system of both internal and more detailed financial control is the agreed responsibility of all managers at directorate and corporate level. There are regular budget monitoring reports presented to Directorate Management Teams, the Executive Management Team and Cabinet with consultation with the relevant Cabinet Members between month 3 and 10 of each financial year. In respect of reviewing the effective system of internal control then an independent check is provided by both External and Internal Audit

A detailed analysis of the significant issues identified from both the work of external and internal audit in 2010/11 has been prepared to support the production of this governance statement.

### **Corporate Governance and the Audit Committee**

The Council maintains a Corporate Governance Section, which covers Internal Audit, Counter Fraud and Risk Management/Insurance. A number of changes to procedures in previous years have resulted in the Internal Audit Service now operating to the Standards set out in the Code of Practice for Internal Audit in Local Government in the UK. These improvements have resulted in the Audit Commission as the external auditor to the Council being able to place greater reliance of the work done by Internal Audit.

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control and where relevant, making recommendations for improvement. Internal Audit subsequently checks the implementation of recommendations.

The Head of Corporate Governance has direct access and reporting lines to all senior management, including the Chief Executive and Chair of the Audit Committee. The Head of Corporate Governance formally reports on the activities to the Audit Committee and at the end of each year provides an opinion on the overall adequacy and effectiveness of the Council's overall internal control environment.

As part of the regular internal audit review process, Internal Audit undertakes audits as specified by International Auditing Standards, which cover the main financial systems. It produces an Audit Needs Assessment, Partnership Governance Assessment and a Fraud and Loss Risk Assessment, which aid the production of an Audit Plan. The Audit Plan is reported to the Audit Committee along with regular reports on the progress made.

The Audit Committee has three Independent Members who provide financial expertise to supplement the skills of elected Members. The Council Constitution sets out that the Chair of the Audit Committee is an Independent Member. The Council is currently undertaking the recruitment of an independent chair. The Audit Committee meets on a regular basis, at least quarterly, to receive the reports of both Internal and External Audit and has the power to hold both the Cabinet and

Executive Directors to account. Reports are submitted on internal control matters in relation to each Directorate, and at the relevant meeting the Executive Director and/or a Senior Representative of this Directorate will respond directly to the Audit Committee on matters raised.

### **Procedures for Whistle Blowing and for receiving and investigating Complaints**

A strong ethical and performance framework is in place to enable officers and Members of the Council to operate effectively in their respective roles, which allows the pursuit of excellence in service delivery. The Council has a formalised Counter Fraud Framework, which includes an Anti-Fraud and Anti-Corruption Strategy, Whistle Blowing Policy and Fraud and Loss Risk Assessment. The Whistle Blowing Policy allows both staff and members of the public including contractors to raise matters in a confidential manner within the Council.

The Internal Audit and/or Counter Fraud Function investigate all matters of suspected impropriety. Registered electors can also raise matters with the External Auditor.

In addition a formal complaints policy exists to deal with other matters of public concern regarding the services provided by the Council.

### **Partnership Arrangements**

The Council currently delivers a wide range of services, which often involve working in partnership with others, many of which involve considerable levels of funding.

It is a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 that, "Where an authority is in a group relationship with other entities and undertakes significant activities through the group, the review of the effectiveness of the system of internal control should include its group activities."

The Borough Treasurer commissioned the production of a Partnership Governance Risk Assessment, which is updated on a quarterly basis; this was initially reported to the Audit Committee in March 2010 assessing the risks on significant partnerships to the Council at a point in time using a traffic light rating. A summary of this updated Partnership Risk Assessment is now reported to the Audit Committee at every regular meeting to support its role in assessing the risks on significant partnerships. This Risk Register has been utilised to prepare this statement.

### **Risks on Significant Projects**

The Council currently has a number of significant projects, covering a wide range of services, which can involve working in partnership with others, many of which require considerable levels of one off and recurrent funding from the Council.

A specific review to the Audit Committee identified that the Council did not in all cases have an oversight on its financial commitments on all these projects. An officers group has been set up to monitor these risks and has produced a list of all significant projects and assessed the risk to the Council using a traffic light rating. This list has been utilised to prepare this statement.

### **Review of Effectiveness**

Oldham Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Corporate Governance's annual report, and also by comments made by the External Auditors and other Review Agencies and Inspectorates.

## Significant Governance Issues

2010/11 Issues	Planned Management Action to Reduce Risk
The Council has continued to improve its financial administration in 2010/11 as evidenced by its process to close its final accounts much earlier. There have however been a number of instances identified in 2010/11 whereby either management controls or audit work has found poor practice in relation to a number of long term processes previously operated by the Council.	The Council will review its financial administration to continue to implement improved processes to enhance its present system of internal control. This will include regular reports on control matters to the Audit Committee. This assurance will also involve internal audit providing specific assurance that weaknesses in control already identified are addressed by management.
The work of the Officers Group tasked with assessing the risks to the Council on projects it has involvement with has identified there are a significant number of challenging and complex schemes completed, ongoing and at planning stage. These are to be either delivered in-house or by partners. The Council has not had a formal process in place to regularly monitor its overall risks profile on projects. The effectiveness of identifying risks has been down to the effectiveness of individual project managers.	The Council is going to develop a regular reporting system to the Audit Committee similar to that adopted for partnership governance using a traffic light rating system to identify risks. This will provide regular overall scrutiny on the projects by key officers and members.
The Partnership Risk Register has identified that for a number of services delivery is outside the Council's direct control. Whilst the Council has effectively identified its risks on individual partnerships which are reported regularly to the audit committee it is included as an issue because aspects of service delivery are outside the Council's Financial Control.	The Council continues to monitor its risks via the regular updates to the Audit Committee of the Partnership Risk Register.
Budget monitoring in 2010/11 has at month 10 identified that Directorate management of their budgets is under control, despite indications earlier in the year that there would be an overspend. Budget setting for 2011/12 was particularly challenging and will require robust ongoing monitoring.	The Council continues to refine its budget monitoring arrangements to ensure that they fully support delivery of the 2011/12 budget.
One issue out of various Assessments was the need to better link the reporting of financial information into performance and risk.	There is ongoing work between the Borough Treasurer and the Performance Service to introduce this for 2011/12.
An unsuccessful prosecution on a Trading Standards investigation resulted in damage to the Council's reputation and a need to improve processes in deciding how to progress future investigations. The independent Dobson review instigated by the Council was produced with recommendations for improvement in 2010/11. The Council needs to formally respond to these recommendations.	The Audit Committee consider a report at their next formal meeting on the Council's response to the recommendations made in the Dobson review.
Information Security and compliance with agreed data protection legislation by all staff in the Council's employment has resulted in the Council making a voluntary declaration to the Information Commissioner of breaches. This could result in reputational criticism or in an	The Information Management Group consider the breaches referred to the Information Commissioner and review whether there are any procedural changes required to reduce the Council's future risks.

2010/11 Issues	Planned Management Action to Reduce Risk
extreme case a financial penalty.	The Borough Treasurer considers the risk of potential fines by the Information Commissioner as part of the closure of accounts.
The need for the Council to improve its processes around the Corporate Management of its Property Assets has been included as an issue in previous Annual Governance Statement. Internal Audit Work has identified examples of poor practice in past operations during 2010/11 where property was managed by non professionals. In 2010/11 the Council recruited an Assistant Executive Director reporting to the Executive Director Economy, Places and Skills to oversee its Asset Management Strategy and centralise processes. This work has begun in 2010/11.	<p>The Executive Director Economy, Places and Skills via the Assistant Executive Director (Strategic Projects and Assets) implements the agreed Asset Management Strategy of the Council.</p> <p>The Audit Committee monitor the progress made on this task by receiving a annual report on the implementation of the Asset Management from the Executive Director Economy, Place and Skills.</p>
<p>Overall future changes to the Council's Financial Framework including the recent spending review, planned changes to benefit administration including the delegation of council tax administration, Business Rates and the Carbon Reduction Scheme are expected to increase the financial savings the Council is required to make than those envisaged in the Medium Term Financial Strategy.</p> <p>Changes in 2010/11 to housing benefit have already had a financial impact of over £140k on the Council in relation to lost subsidy which was not tracked in a timely fashion.</p>	The Borough Treasurer allocates a Senior Member of the Borough Treasurer's Management Team to manage the financial impact of these legislative changes.
A review of the Group Accounts of the Council has identified that there are a number of Council owned subsidiaries which have been economically inactive for a number of financial years. The continued existence of these companies results in a recurring cost to the Council. It is anticipated that for certain of these group entities when the accounting entries are better understood there could be a risk of an unforeseen financial cost to the Council.	<p>The Borough Treasurer on the basis of current information considers the estimated financial risk to be set aside as part of the closure of the 2010/11 final accounts.</p> <p>The Borough Treasurer instigates a project of Corporate Simplification in 2011/12 to wind down companies owned by the Council which are no longer economically active.</p>
Joint working with other local authorities is likely to accelerate in 2011/12. In addition to delivering financial savings (£300k is assumed in 2011/12) there will be governance implications as new ways of working are developed.	The Borough Treasurer ensures that there is appropriate financial representation for all joint working proposals to ensure financial and governance issues receive appropriate consideration early in the process.
The Honeywell Trust which is the successor arrangement to the New Deal for Communities Grant Programme has not yet been agreed by the Department of Communities for Local Government (DCLG). This is due to concerns about the ongoing financial viability of the proposed successor arrangements given the anticipated losses over the next ten years on two operational buildings. This issue has consistently been identified as high risk in the	<p>The Executive Director Economy, Place and Skills agrees the succession strategy with the DCLG.</p> <p>In recognition that the Honeywell Trust would not be self financing from 2011/12 an amount of £120k was included in the agreed budget to underwrite the Council's ongoing revenue costs. Whether this money is sufficient will depend on the financial losses incurred on the two operational buildings.</p>

2010/11 Issues	Planned Management Action to Reduce Risk
Partnership Reports to the Audit Committee. The Council will have to provide ongoing financial support to this Trust or find itself at risk of potential grant claw back.	
It has been identified by internal audit that there was a specific internal control weakness on segregation of duties within payroll. In relation to the 2010/11 financial year the change in process leading to this specific weakness occurred at the beginning of February 2011. This has led to internal audit undertaking increased testing on payroll for 2010/11 transactions to provide appropriate assurance to those charged with governance.	<p>In 2011/12 it has been agreed that a compensating control will be implemented as a priority to address the risk of a lack of a segregation of duties within payroll. It is anticipated this will be in place July or August.</p> <p>In respect of 2011/12 there is a period when this compensating control is not in place. Additional testing will be undertaken by internal audit to provide added assurance that the expenditure incurred in this period is accurate. The outcome of this testing will be reported to the Audit Committee by the Head of Corporate Governance in September 2011.</p>

**Chief Executive of Oldham Council.**

***C Parker***

**Leader of Oldham Council**

***J McMahon***

## 6.2 Glossary of Terms

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Actuarial Gains & Losses**

Actuaries assess financial and non financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed.

### **Agency Services**

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

### **Appointed Auditors**

The Audit Commission appoints external auditors to every Local Authority. They may be from the Commission's own Operations Directorate or from one of the major firms of registered auditors.

### **Arms Length Management Organisation (ALMO)**

A company, limited by guarantee which is wholly owned by a local authority but operating under a management agreement between the local authority and the ALMO in order to manage and improve council housing stock. ALMOs are designed to encourage both the participation of the local community in the management of their homes and the continuous improvement of local authority housing services.

### **Associate Companies**

This is an entity other than a subsidiary or joint venture in which the reporting Authority has a participating interest and over whose operating and financial policies the reporting Authority is able to exercise significant influence.

### **Balances**

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

### **Best Value Accounting Code of Practice (BVACOP)**

Prepared and published by CIPFA with the aim of modernising the system of local authority accounts and reporting, providing practical guidance on all formal financial disclosures required in relation to the Best Value regime including standard service and subjective analyses of local government expenditure and income, and standard costing definitions.

### **Budget Requirement**

This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves. The Department for Communities and Local Government refers to it when deciding the criteria for capping Local Authority revenue expenditure.

### **Business Improvement District (BID)**

BIDs are provided for under Part 4 of the Local Government Act 2003 (England & Wales) whereby a levy is collected from Business Ratepayers to provide agreed additional services.

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the

credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

**Capital Expenditure**

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

**Capital Financing Charges**

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

**Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

**Collection Fund**

A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

**Community Assets**

Fixed Assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks, historical buildings not used for operational purposes, works of art, museum exhibits and statues.

**Comprehensive Spending Review (CSR)**

CSR is the public expenditure planning process introduced by the Government in 1997. The most recent CSR, in October 2010, set the parameters for public spending for the three years from 2011/12 to 2014/15.

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

**Council Tax**

This is the main source of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund.

**Council Tax Benefit**

This is the assistance provided by Billing Authorities to adults on low incomes to help them pay their Council Tax bill. The cost to Authorities of Council Tax benefit is largely met by Government grant.

**Creditors**

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

**Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

**Debtors**

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

**Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

**Deferred Credits**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

**Deferred Discounts**

Deferred discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

**Deferred Liabilities**

These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time e.g. deferred purchase arrangements.

**Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific known or predicted future expenditure.

**Exceptional items**

Material items deriving from events or transactions that fall within the ordinary activities of the Authority, but which need to be separately disclosed by virtue of their size and/ or incidence to give a fair presentation of the accounts.

**External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**Expenditure**

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

**Fair value**

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

**Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

**Financial Regulations**

These are the written code of procedures approved by the Authority, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

**Fixed Assets**

Assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

**General Fund**

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

**Group Accounts**

The Council is required to prepare Group Accounts that consolidate the financial results of the Council, any of its subsidiaries and/or associates.

**Housing Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits

and of the running costs of the services to Local Authorities. Benefits paid to the Authority's own tenants is known as rent rebate and that paid to private tenants as rent allowance.

### **Housing Revenue Account (HRA)**

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

### **HRA Subsidy**

This is a Government grant paid to some Housing Authorities towards the cost of providing, managing and maintaining dwellings.

### **iBoxx Serling Corporate AA**

The market leader in fixed income benchmark indices.

### **Impairment**

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### **Income**

These are amounts due to the Council for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Council).

### **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Fixed Assets**

Fixed Assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **International Accounting Standard (IAS) 19**

IAS 19 sets out the treatment of pensions and other forms of retirement benefits in an organisation's statutory accounts. The main features of IAS 19 are the valuation of assets and liabilities relating to pensions and other retirement benefits and their recognition and disclosure in the financial statements.

### **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- a) Goods or other assets purchased for resale
- b) Consumable stores
- c) Raw materials and components
- d) Products and services in intermediate stages of completion
- e) Finished goods

### **Joint Venture**

This is an entity in which the reporting Authority has an interest on a longer term basis and is jointly controlled by the reporting Authority and one or more other entities under a contractual or other binding arrangement.

**Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

**Lender Option Borrower Option (LOBO)**

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender make this offer, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Local Area Agreements (LAAs)**

LAAs are a Central Government initiative to improve co-ordination between Central Government and Local Authorities and their partners, working through Local Strategic Partnerships.

**Local Public Service Agreements (LPSAs)**

LPSAs are agreements between Central Government and Local Authorities to deliver improved outcomes in key areas in return for greater flexibility and rewards for success.

**Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**National Non Domestic Rate (NNDR) (also known as Business Rates)**

NNDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. Local Authorities collect the non-domestic rate but the proceeds are pooled and then redistributed by Central Government on the basis of an Authority's population.

**Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net Current Replacement Cost**

This is the cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Debt**

Net debt is the Council's borrowings less cash and liquid resources.

**Net Realisable Value (NRV)**

NRV is the open market value of the asset in its existing use (or open market value in the case of non operational assets) less the expenses to be incurred in realising the asset.

**Non-Operational Assets**

Fixed assets held which are not directly used in the delivery of Council services.

**Operational Assets**

Fixed assets held and occupied, used or consumed in the delivery of Council services.

**Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

**Precept**

The amount levied by various Authorities that is collected by the Council on their behalf. The precepting Authorities in Oldham are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority.

**Prior Period Adjustments**

Material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Private Finance Initiative (PFI)**

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

**Projected Unit Method**

This is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

**Provisions**

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

**Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Assistant Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Reporting Standards**

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

IFRS is applicable to Local Authorities from 1 April 2011.

**Reserves**

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

**Revaluation Reserve**

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

**Revenue Expenditure Funded From Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

**Soft Loans**

Local authorities will sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest free or at rates below prevailing market rates. Where this occurs these loans are referred to as soft loans.

**Subsidiary**

This is an entity over which the reporting Authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Trust Funds**

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.